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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

March 29, 2019

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## The Guggenheim Daily Transmission: EXC, FE, PPL, LNT, WEC, D, FERC, Policy, Wind

**For details on our upcoming Dominion Atlantic Coast Pipeline Call, and Guggenheim's NDR schedule, please scroll down****What's New?****EXC/FE/PPL** – Poll finds public undecided on nuclear support in Pennsylvania**LNT/WEC** – Ellen Nowak stopped by PSCW security after appeals court stays vacating of Walker appointees**WEC** – WPS files for 2020 and 2021 rate increase**D** – Dominion agrees to spend \$870mm on energy efficiency programs**LNT/WEC** – Governor Evers talks up environmental push**EXC/FERC** – EXC CEO Crane recommends against new transmission incentives**Policy** – Advanced nuclear legislation introduced in Senate**Wind** – New proposed legislation would ban wind projects within 100 miles from coast in NC

Ticker	Price	Rating
D	75.67	Buy
DUK	89.38	Buy
EXC	49.76	Buy
FE	41.40	Buy
LNT	46.90	Neutral
PPL	31.59	Neutral
WEC	78.46	Buy

**EXC/FE/PPL – Poll finds public undecided on nuclear support in Pennsylvania**

- A [poll by Franklin & Marshall in partnership with PA Post](#) found roughly half of voters support including nuclear in the RPS program
- Reportedly “only one in 10 knew with certainty that nuclear energy was Pennsylvania's largest source of carbon-free electricity”
- “The public to me seems split on this issue. Half seem to favor it, half oppose or aren't sure about the proposal, so I would say at the moment there's no consensus”

**Guggenheim takeaway:** Interesting, albeit difficult to decipher results. Most notable to us are that ~14% of the polled voters were undecided, while those with ‘strong’ opinions were fairly evenly split. We remain on the lookout for any indications of how the Governor is leaning, with DeWine likely to be essential to any compromise, in our view. Stay tuned. **See our recent NDR with EXC [here](#) on this topic; We will be out with PPL mgmt. soon.** Also, we will be announcing a client call soon with two key stakeholders around Pennsylvania and Illinois legislation – stay tuned.

**LNT/WEC – Ellen Nowak stopped by PSCW security after appeals court stays vacating of Walker appointees**

- Nowak [was unable to enter](#) the PSCW after attempting to resume work following a stay by an appeals court
- “Unfortunately, we've been thrust into this and for some people who say it's not personal — you're just collateral damage to the impact of this — I think that's wrong. This is the impact of the actions” - Nowak
- “Now I'll go home and walk my dog, I guess” - Nowak

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 29, 2019

**Guggenheim takeaway:** *An unusual amount of drama for the PSCW, but we don't see this as a LT concern. Wisconsin remains a very strong regulatory environment, in our view.*

#### WEC – WPS files for 2020 and 2021 rate increase

- Wisconsin Public Service (WPS) [has filed](#) for \$150mm rate increases in 2020 and 2021, inclusive of its planned 200MW of solar investments
- WPS' ask includes a 10.35% ROE (vs. current 10.2%)

**Guggenheim takeaway:** *Generally as expected – WPS was due to file by early April. As we noted during our recent meetings with WEC senior management- see [HERE](#), the filing is not expected to be particularly contentious, in our view. Stay tuned...*

#### D – Dominion agrees to spend \$870mm on energy efficiency programs

- Dominion Energy [agreed](#) to pressure from Virginia Governor Ralph Northam to spend \$870mm on energy efficiency programs over the next decade.
- Dominion's CEO Tom Farrell sent a letter to Governor Northam discussing this shift in plans.
- Farrell said, "We commit to an aggregate total of \$870mm in regulated energy efficiency filings through 2028 exclusive of any lost revenues"

**Guggenheim takeaway:** *D seems ok with energy efficiency spending but is keen to point out that it views potential lost revenues from energy efficiency as a major issue - given precedence in other states for provisions protecting lost revenue, D will likely look for a similar mechanism.*

#### LNT/WEC – Governor Evers talks up environmental push

- Speaking to a conservation group, Evers [commented on his vision](#) for environmental policies in the state, including clean energy
- On the Department of Natural Resources, Evers noted; "We have scientists there for a reason, and that is to inform legislators about how science impacts their policy decisions... So we're going to unleash the folks that work at the Department of Natural Resources"

**Guggenheim takeaway:** *No deviation from previous Evers comments, but the administration seems to be settling in – we remain on the lookout for data points on how the 100% RPS conversations are progressing.*

#### EXC/FERC – EXC CEO Crane recommends against new transmission incentives

- CEO Chris Crane's [comments](#) came at a joint FERC-DOE conference
- "It is our belief that the electric industry doesn't need a new set of incentives to continue investing in critical infrastructure"

**Guggenheim takeaway:** *Interesting comments, but only a data point in a much larger FERC deliberation, in our view.*

#### Policy – Advanced nuclear legislation introduced in senate

- The Senate has [introduced](#) the Nuclear Energy Leadership Act, a bipartisan effort to boost the prospects for advanced nuclear development in the US
- Bill [HERE](#)

**Guggenheim takeaway:** *Policy data point.*

#### Wind – New proposed legislation would ban wind projects within 100miles of coast in NC

POWER, UTILITIES & ALTERNATIVE ENERGY

March 29, 2019

- Bill: Senate Bill 377 at [NCLeg.net](http://NCLeg.net)
- Seeking to ban wind power projects within 100 miles of the coast
- Introduced by Republican Sen. Harry Brown
- Ban from VA boarder south of Camp Lejeune marine Corps base
- Concern stems from wind projects potentially impacting military training flights

**Guggenheim takeaway:** *Will likely face headwinds and we see no impact to our utilities coverage, including DUK.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 29, 2019

## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Thursday, March 28, 2019

Price as of Close		Thursday, March 28, 2019		Guggenheim										Consensus											
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
AEP	American Electric Power	41.3	Neutral	\$78	\$83.79	3.3%	62%	493	4.17	4.44	4.71	4.93	20.1	18.9	17.8	17.0	4.13	4.40	4.68	5.00	20.3	19.0	17.9	16.7	
ALE	ALLETE	4.2	Neutral	\$74	\$81.97	3.1%	64%	52	3.65	4.01	4.21	4.29	22.5	20.4	19.5	19.1	3.58	3.85	4.12	4.46	22.9	21.3	19.9	18.4	
AVA	Avista*	2.7	Neutral	\$38	\$40.39	4.0%	80%	66	1.89	2.05	2.23	2.41	21.4	19.7	18.1	16.8	1.94	2.10	2.36	2.45	20.9	19.3	17.2	16.5	
CMS	CMS Energy	15.7	Neutral	\$53	\$55.21	3.0%	61%	284	2.50	2.69	2.88	3.08	22.1	20.5	19.2	17.9	2.50	2.68	2.87	3.07	22.1	20.6	19.2	18.0	
DUK	Duke Energy	65.0	Buy	\$94	\$89.38	4.4%	75%	728	5.00	5.26	5.57	5.91	17.9	17.0	16.0	15.1	4.96	5.22	5.47	5.86	18.0	17.1	16.3	15.2	
ED	Consolidated Edison	27.1	Neutral	\$82	\$84.27	3.6%	66%	321	4.36	4.60	4.75	4.92	19.3	18.3	17.7	17.1	4.33	4.56	4.76	4.90	19.4	18.5	17.7	17.2	
EIX	Edison International*	20.3	Buy	\$71	\$62.16	4.4%	56%	326	4.58	4.90	5.34	5.72	13.6	12.7	11.6	10.9	4.48	4.71	4.94	5.34	13.9	13.2	12.6	11.7	
ES	Eversource Energy	22.3	Neutral	\$72	\$70.34	3.2%	62%	317	3.49	3.68	3.86	4.05	20.2	19.1	18.2	17.4	3.47	3.69	3.88	4.13	20.3	19.1	18.1	17.0	
ETR	Entergy	18.1	Buy	\$96	\$95.06	4.0%	69%	190	5.30	5.53	5.91	6.31	17.9	17.2	16.1	15.1	5.31	5.53	5.85	6.16	17.9	17.2	16.2	15.4	
EVRG	Eversgy	14.6	Buy	\$61	\$57.95	3.6%	67%	252	2.93	3.14	3.32	3.52	19.8	18.5	17.5	16.5	2.89	3.16	3.32	3.50	20.0	18.3	17.5	16.6	
FE	FirstEnergy	21.9	Buy	\$46	\$41.40	3.8%	63%	530	2.56	2.51	2.66	2.81	16.2	16.5	15.6	14.7	2.57	2.50	2.63	2.77	16.1	16.6	15.8	14.9	
LNT	Alliant Energy	11.1	Neutral	\$41	\$46.90	3.2%	63%	236	2.24	2.37	2.50	2.69	20.9	19.8	18.8	17.4	2.25	2.41	2.54	2.68	20.8	19.4	18.5	17.5	
PNW	Pinnacle West	10.7	Neutral	\$98	\$95.08	3.3%	63%	112	4.84	5.04	5.28	5.63	19.6	18.9	18.0	16.9	4.85	5.07	5.33	5.51	19.6	18.8	17.8	17.3	
POR	Portland General Electric	4.6	Neutral	\$44	\$51.55	3.1%	63%	89	2.43	2.54	2.68	2.75	21.2	20.3	19.2	18.7	2.45	2.57	2.70	2.75	21.1	20.1	19.1	18.7	
PPL	PPL Corporation	22.8	Neutral	\$29	\$31.59	5.8%	71%	721	2.44	2.58	2.74	2.85	12.9	12.2	11.5	11.1	2.44	2.53	2.55	2.85	13.0	12.5	12.4	11.1	
SO	Southern Company	53.1	Neutral	\$44	\$51.35	4.9%	81%	1035	3.05	3.15	3.31	3.46	16.8	16.3	15.5	14.8	3.03	3.13	3.25	3.46	16.9	16.4	15.8	14.9	
WEC	WEC Energy	24.8	Buy	\$76	\$78.46	3.2%	67%	315	3.50	3.73	3.98	4.26	22.4	21.0	19.7	18.4	3.52	3.74	3.97	4.24	22.3	21.0	19.8	18.5	
*Average (Excl. EIX, PPL for P/E)						3.6%	63%						19.9	18.8	17.8	16.9						19.9	18.8	17.8	16.9
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
NI	NISource	10.6	Buy	\$29	\$28.54	2.8%	61%	372	1.32	1.37	1.47	1.58	21.6	20.8	19.4	18.1	1.31	1.39	1.47	1.58	21.8	20.5	19.4	18.1	
NJR	New Jersey Resources	4.4	Sell	\$39	\$49.81	2.4%	60%	89	1.99	2.19	2.36	2.54	25.0	22.7	21.1	19.6	2.13	2.28	2.32	2.54	23.4	21.9	21.4	19.6	
NWN	NW Natural Gas	1.9	Sell	\$49	\$65.50	2.9%	86%	29	2.21	2.58	2.68	2.74	29.6	25.4	24.4	23.9	2.32	2.53	2.61	2.71	28.2	25.9	25.1	24.2	
SR	Spire	4.2	Neutral	\$77	\$82.07	2.9%	64%	51	3.74	3.89	4.01	4.28	21.9	21.1	20.5	19.2	3.74	3.87	3.98	4.30	22.0	21.2	20.6	19.1	
Average						2.9%	68%						24.6	22.5	21.4	20.2						23.8	22.4	21.6	20.2
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
EXC	Exelon	48.0	Buy	\$53	\$49.76	2.9%	45%	965	3.16	3.25	3.17	3.21	15.7	15.3	15.7	15.5	3.15	3.17	3.14	3.33	15.8	15.7	15.8	14.9	
PEG	PSEG	29.7	Buy	\$62	\$58.79	3.2%	58%	505	3.25	3.60	3.70	3.87	18.1	16.3	15.9	15.2	3.25	3.54	3.65	3.88	18.1	16.6	16.1	15.2	
Average						3.0%	52%						16.9	15.8	15.8	15.3						17.0	16.2	16.0	15.1
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
NRG	NRG Energy	11.9	Buy	\$51	\$42.76	0.3%	0%	279	1,975	1,858	1,900	1,936	8.9	9.2	8.6	8.5	2,141	2,080	1,827	1,936	7.9	8.1	8.8	NA	
VST	Vistra Energy	12.5	Buy	\$39	\$25.80	1.9%	0%	486	3,367	3,472	3,612	3,770	7.0	6.7	6.3	5.8	3,366	3,355	3,185	3,733	6.6	6.4	6.2	NA	
Average													7.9	7.9	7.4	7.1						7.3	7.2	7.5	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
CNP	CenterPoint	15.1	Buy	\$33	\$30.33	3.9%	69%	501	1.70	1.89	2.02	2.13	17.8	16.0	15.0	14.2	1.67	1.82	1.94	2.13	18.1	16.6	15.7	14.2	
D	Dominion	60.5	Buy	\$82	\$75.67	4.9%	87%	799	4.24	4.44	4.68	4.92	17.8	17.0	16.2	15.4	4.21	4.41	4.65	5.03	18.0	17.1	16.3	15.0	
DTE	DTE Energy	22.7	Buy	\$127	\$123.78	3.0%	60%	183	6.26	6.72	7.21	7.63	19.8	18.4	17.2	16.2	6.24	6.58	7.04	7.52	19.8	18.8	17.6	16.5	
NEE	NextEra	91.8	Buy	\$205	\$191.92	2.6%	58%	478	8.63	9.19	9.91	10.52	22.2	20.9	19.4	18.2	8.40	9.07	9.76	10.49	22.8	21.2	19.7	18.3	
OGE	OGE Energy	8.6	Neutral	\$41	\$42.84	3.5%	70%	200	2.14	2.30	2.41	2.51	20.0	18.6	17.8	17.1	2.14	2.31	2.43	2.51	20.0	18.5	17.6	17.1	
SRE	Sempra Energy	34.1	Buy	\$133	\$124.47	3.1%	64%	274	6.10	7.26	7.66	7.96	20.4	17.1	16.2	15.6	6.00	7.08	7.63	7.96	20.8	17.6	16.3	15.6	
Average						3.4%	68%						19.7	18.0	17.0	16.1						19.9	18.3	17.2	16.1
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
AWK	American Water Works	18.8	Neutral	\$96	\$104.32	1.9%	54%	181	3.61	3.96	4.27	4.60	28.9	26.3	24.4	22.7	3.59	3.89	4.21	4.66	29.0	26.8	24.8	22.4	
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
CWEN	Cleanway Energy	3.2	Neutral	\$11	\$14.96	5.3%	NA	183	1,026	1,056	1,063	1,076	9.0	9.2	9.0	9.4	995	1,060	1,092	NA	8.4	7.9	7.5	-	
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$46.71	4.4%	NA	56	1,393	1,560	1,811	1,981	7.9	7.5	6.9	0.0	1,148	1,287	1,481	1,981	9.6	9.0	8.4	NA	

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

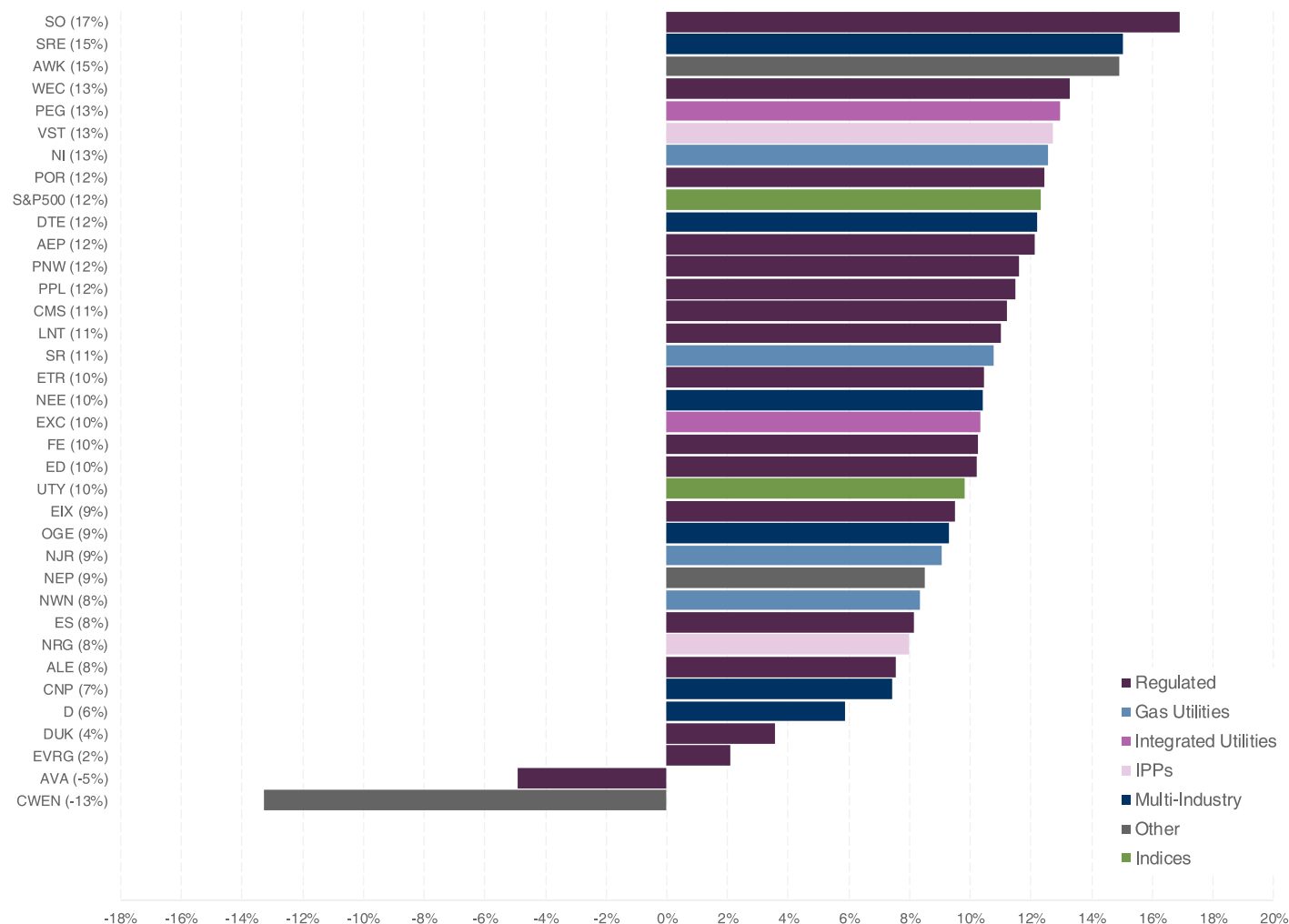
(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

## POWER, UTILITIES & ALTERNATIVE ENERGY

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### Share Price Performance (Year-to-Date)

#### Year-to-Date Share Price Performance



#### Note: We are currently restricted on PCG and SJJ

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
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- (4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

**Conference Call: Atlantic Coast Pipeline**

Equity Research | Corporate Access

## Conference Call: Atlantic Coast Pipeline Discussion | Assessing the Viability of the Pipeline Project as Proposed – Will ACP Ever Get Built?

Please join us for a conversation on Dominion and Duke's Atlantic Coast Pipeline Project with Guggenheim industry policy expert Clint Soderstrom.

**Date and Time**

Wednesday, April 10, 2019  
10:00am ET

**Topics**

- Outlook, paths forward, solutions, timing etc. for key permits including Appalachian Trail and Biological Opinion/Incidental Take Statement.
- Thoughts around recent 4<sup>th</sup> circuit decisions – profiling the Circuit and assessing if the Court is simply negative ACP in general coming off of a recent unanimous en banc hearing decision.
- Drill down further into a Supreme Court path with Appalachian Trail especially given Federal support and wide reaching ramifications with this decision for other existing pipes, projects – i.e. does this decision that could threaten the authority granted to existing pipelines get the attention of the Supreme Court?
- Discussion on administrative and legislative options with the Appalachian Trail and other potential options not widely discussed.
- Biological Opinion – What decision is expected to be issued by the Court after oral arguments in May? Timing of a decision? BO/Incidental Take Statement upheld or not? In latter case, historical precedence with agencies rectifying deficiencies (i.e. timing, ease), timing, complexities, etc.
- Timing of when actual construction could recommence and best guess on when project, as proposed by developers, can begin to flow gas.
- Independent utility designation option that sits with FERC with ACP.
- Legal avenues by opponents that could further derail the project.
- Conclude whether this project will get built as proposed, its timing and whether we end up with a pipe that could look completely different.

**Call Format**

45-60 minute session for speaker discussion followed by audience Q&A

**Dial-in**

Dial-in: 1.866.436.9172

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

**Speaker Bio**

**Clint Soderstrom** is the Chief Commercial Officer and Co-Founder of Fullstream Energy Holdings, a growth-oriented midstream services company focused on partnering with producers in in the Permian, Eagleford, Mid-Continent, DJ, Powder River, and Appalachian Basin. Prior to that, he was the President of Southstream Energy from March 2015 to August 2016 providing multi disciplined consulting for Oil and Gas Service companies and providing analytical support to multiple large infrastructure investment firms. Previously he was the Vice President of Business Development at EQT Corp. from September 2011 to March 2015, where he was responsible for identifying, developing, and closing new business opportunities within the energy industry midstream sector by leveraging existing commercial relationships and assets or by expanding into new areas of operation via greenfield project development and/or asset acquisitions, joint ventures or mergers. Earlier in his career he worked in A&D and Commercial Development for The Williams Cos. Inc. from 2007 to 2011.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC/NJ/CT
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	West Coast	SJI	9/4	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due
04/30	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Statements of Position Due
05/01	PJM	Capacity Market				Planning parameters released
May to August	EIX	Risk Assessment	SCE	CA	I1811006	SCE incorporates RAMP results into its GRC
05/06	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery cutoff for Responsive Testimony
05/06	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Rebuttal Testimony for Revenue Requirement
05/06	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	PSC decision expected by
05/13	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Rebuttal Testimony for Rate Design
05/15	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Settlement Conference
05/15	EIX	Risk Assessment	SCE	CA	I1811006	SED to file and serve its staff report on SCE's RAMP submission
05/16	SRE	FERC Formula Rates	SDG&E	FERC	ER19-221	Settlement Conferences
05/20	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Issue List
05/20	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Pretrial motions and briefs filed
05/24	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery cutoff for Rebuttal Testimony

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

### Key Company Research

1. [EXC NDR: State Rescue Cometh - Deeper Dive](#)
2. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
3. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
4. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
5. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
6. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
7. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
8. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
9. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
10. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
11. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
12. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
13. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
14. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
15. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
16. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
17. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
18. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
19. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
20. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
21. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
22. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
23. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
24. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
25. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
26. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
27. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
30. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
31. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
32. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
33. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)

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34. [CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
35. [PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
36. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
37. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
38. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
39. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
40. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
41. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
42. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

March 26, 2019

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## The Guggenheim Daily Transmission: D, Santee, DUK, NEE, PEG, EXC, LNT, WEC, CMS, ISO-NE

**For our details on our upcoming Dominion Atlantic Coast Pipeline Call, and Guggenheim's NDR schedule, please scroll down****What's New?****D: Msg Delivered on Time/on Budget; Inline Analyst Day Cements Solid Base to Work Off Of--Execution/Patience is Key (see our note [HERE](#))****Santee Cooper/D/DUK/NEE** – Santee Board will meet for first time since January**PEG/EXC** – PSE&G moves to file deactivation notices for Salem/Hope Creek with PJM**LNT/WEC** – Governor Evers reportedly withdraws lame duck appointments, PSCW loses Nowak**CMS** – Settlement filed in IRP process, cementing the Clean Energy Plan**EXC/ISO-NE** – Mystic plant compliance filing draws ire from stakeholders at FERC

Ticker	Price	Rating
CMS	55.83	Neutral
D	75.94	Buy
DUK	90.77	Buy
EXC	50.38	Buy
LNT	47.59	Neutral
NEE	193.61	Buy
PEG	59.58	Buy
WEC	79.54	Buy

**Santee Cooper/D/DUK/NEE – Santee Board will meet for first time since January**

- Local press [reports](#) that the Santee Cooper Board of Directors will meet for the first time since January.
- The meeting is expected to cover “next steps for the state utility.”
- Santee’s Chairman Charlie Condon is expected to extend the cessation and preservation plan that preserves the VC Summer site and allocates money to do so through year end.
- Santee has about \$8bn of total debt right now.
- The board meeting will begin at 8:30am on Monday.

**Guggenheim takeaway:** With two pending bills (house and senate bills) in the South Carolina legislature we expect more debate ahead on if Santee Cooper will be sold to an IOU. Since Santee is owned by the state of South Carolina, legislation is required to be passed to enable a 100% sale. Regarding an outright acquisition of Santee, in our ~42 utility coverage, at least one buyer (i.e. NEE) could “make the math work” (excess balance sheet capacity, experience taking costs out of inefficient assets, etc.) even with an outright acquisition given its scale cost of capital and balance sheet capacity. For more current views on Santee, see our recent NDRs on D [HERE](#) and [HERE](#) (for the analyst day note), NEE [HERE](#), and DUK [HERE](#). The Management Service Agreement is still a viable option but process very competitive. For a full buy-in, we give NEE the leg up.

**PEG/EXC – PSE&G moves to file deactivation notices for Salem/Hope Creek with PJM**

- PSEG will file deactivation notices for its two nuclear plants in South Jersey in the coming weeks as it awaits an April 18 decision from the NJ BPU on the award of ZECs.
- The company will withdraw the request if it is granted ZECs by the BPU according to PSEG spokesman Michael Jennings, as reported by S&P Global Platts.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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**Guggenheim takeaway:** A procedural move, underscoring PEG's seriousness on the matter. As a reminder, as we stated on our recent EXC NDR (See [HERE](#)), we don't see as much drama here as some of the headlines may suggest – we continue to expect the BPU will award ZECs to PEG's units.

#### LNT/WEC – Governor Evers reportedly withdraws lame duck appointments, PSCW loses Nowak

- The Governor [has withdrawn](#) 82 appointments made in the waning days of Governor Walker's administration, ensnaring Ellen Nowak's position on the PSCW.
- The move has already caused the cancellation of a hearing on the solar procurements proposed by WEC and other utilities in the state.

**Guggenheim takeaway:** Not a major surprise given the ongoing challenges to the lame duck appointments, but unfortunate for it to happen in the middle of a busy time on the regulatory front. We remain on the lookout for who Evers may appoint to fill Nowak's seat, with WEC awaiting the outcome of the ongoing solar docket and preparing a base rate case filing for later this spring. For more, see our recent NDR note [HERE](#).

#### CMS – Settlement filed in IRP process, cementing the Clean Energy Plan

- Under the settlement CMS' Clean Energy Plan [will see](#) the utility:
  1. Reduce carbon emission by 90% by 2040
  2. Add 5,000MW of competitively bid solar by 2030
  3. Eliminate coal by 2040
  4. Increase EE efforts
- CMS will competitively bid the first 1.1GW by 2024 tranche of solar, with 50% utility-owned and 50% purchased through PPAs.
- Final settlement available [HERE](#).

**Guggenheim takeaway:** Constructive development for CMS, and indicative of the strong relationship we see between the utility and MI regulators/stakeholders. We visited the MPSC and CMS mgmt. last fall – see our note [HERE](#).

#### EXC/ISO-NE – Mystic plant compliance filing draws ire from stakeholders at FERC

- The compliance filing by EXC for the Mystic 2022-2024 cost of service agreement has drawn criticism from several stakeholders at FERC, with several objecting to the way a 2004 ownership change impacted the calculated rate base.
- Mass AG comments available [HERE](#), NESCOE comments [HERE](#).

**Guggenheim takeaway:** Granular disagreements, but we continue to monitor for how the rate base and clawback mechanism ultimately shake out. Stay tuned.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Monday, March 25, 2019

Price as of Close		Monday, March 25, 2019		Guggenheim										Consensus										
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AEP	American Electric Power	42.1	Neutral	\$78	\$85.32	3.2%	62%	493	4.17	4.44	4.71	4.93	20.4	19.2	18.1	17.3	4.13	4.40	4.68	5.00	20.7	19.4	18.2	17.1
ALE	ALLETE	4.3	Neutral	\$74	\$82.68	3.1%	64%	52	3.65	4.01	4.21	4.29	22.6	20.6	19.6	19.3	3.58	3.85	4.12	4.46	23.1	21.5	20.1	18.5
AVA	Avista*	2.7	Neutral	\$38	\$40.63	4.0%	80%	66	1.89	2.05	2.23	2.41	21.5	19.8	18.2	16.8	1.94	2.10	2.36	2.45	21.0	19.4	17.3	16.6
CMS	CMS Energy	15.8	Neutral	\$53	\$55.83	2.9%	61%	284	2.50	2.69	2.88	3.08	22.3	20.8	19.4	18.1	2.50	2.68	2.87	3.07	22.3	20.8	19.4	18.2
DUK	Duke Energy	66.0	Buy	\$94	\$90.77	4.3%	75%	728	5.00	5.26	5.57	5.91	18.2	17.3	16.3	15.3	4.96	5.22	5.47	5.86	18.3	17.4	16.6	15.5
ED	Consolidated Edison	27.3	Neutral	\$82	\$85.10	3.6%	66%	321	4.36	4.60	4.75	4.92	19.5	18.5	17.9	17.3	4.33	4.56	4.76	4.90	19.6	18.7	17.9	17.4
EIX	Edison International*	20.9	Buy	\$71	\$64.29	4.2%	56%	326	4.58	4.90	5.34	5.72	14.0	13.1	12.0	11.2	4.48	4.71	4.94	5.34	14.3	13.6	13.0	12.1
ES	Eversource Energy	22.7	Neutral	\$72	\$71.77	3.2%	62%	317	3.49	3.68	3.86	4.05	20.5	19.5	18.6	17.7	3.47	3.69	3.88	4.13	20.7	19.5	18.5	17.4
ETR	Entergy	18.2	Buy	\$96	\$95.82	4.0%	69%	190	5.30	5.53	5.91	6.31	18.1	17.3	16.2	15.2	5.30	5.53	5.85	6.16	18.1	17.3	16.4	15.6
EVRG	Eversgy	14.7	Buy	\$61	\$57.80	3.6%	66%	255	2.93	3.14	3.32	3.52	19.7	18.4	17.4	16.4	2.89	3.16	3.32	3.50	20.0	18.3	17.4	16.5
FE	FirstEnergy	22.2	Buy	\$46	\$41.86	3.8%	63%	530	2.56	2.51	2.66	2.81	16.3	16.6	15.7	14.9	2.57	2.50	2.63	2.77	16.3	16.7	15.9	15.1
LNT	Alliant Energy	11.2	Neutral	\$41	\$47.59	3.2%	63%	236	2.24	2.37	2.50	2.69	21.2	20.1	19.1	17.7	2.25	2.41	2.54	2.68	21.1	19.7	18.7	17.7
PNW	Pinnacle West	10.8	Neutral	\$98	\$96.47	3.3%	63%	112	4.84	5.04	5.28	5.63	19.9	19.1	18.3	17.1	4.85	5.07	5.33	5.51	19.9	19.0	18.1	17.5
POR	Portland General Electric	4.7	Neutral	\$44	\$52.07	3.1%	63%	89	2.43	2.54	2.68	2.75	21.4	20.5	19.5	19.0	2.45	2.57	2.70	2.75	21.3	20.3	19.3	18.9
PPL	PPL Corporation	23.3	Neutral	\$29	\$32.35	5.6%	71%	721	2.44	2.58	2.74	2.85	13.2	12.6	11.8	11.4	2.44	2.53	2.55	2.85	13.3	12.8	12.7	11.4
SO	Southern Company	53.8	Neutral	\$44	\$52.05	4.9%	81%	1035	3.05	3.15	3.31	3.46	17.1	16.5	15.7	15.0	3.03	3.13	3.25	3.46	17.2	16.6	16.0	15.1
WEC	WEC Energy	25.1	Buy	\$76	\$79.54	3.1%	67%	315	3.50	3.73	3.98	4.26	22.7	21.4	20.0	18.7	3.52	3.74	3.97	4.24	22.6	21.3	20.1	18.8
*Average (Excl. EIX, PPL for P/E)						3.5%	63%						20.1	19.0	18.0	17.1					20.1	19.1	18.0	17.1
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NI	NISource	10.7	Buy	\$29	\$28.64	2.8%	61%	372	1.32	1.37	1.47	1.58	21.7	20.9	19.5	18.1	1.31	1.39	1.47	1.58	21.9	20.6	19.5	18.1
NJR	New Jersey Resources	4.5	Sell	\$39	\$50.13	2.4%	60%	89	1.99	2.19	2.36	2.54	25.2	22.9	21.2	19.7	2.10	2.25	2.32	2.54	23.9	22.2	21.6	19.7
NWN	NW Natural Gas	1.9	Sell	\$49	\$66.36	2.8%	86%	29	2.21	2.58	2.68	2.74	30.0	25.7	24.8	24.2	2.32	2.53	2.61	2.71	28.6	26.2	25.4	24.5
SR	Spire	4.2	Neutral	\$77	\$82.46	2.9%	64%	51	3.74	3.89	4.01	4.28	22.0	21.2	20.6	19.3	3.74	3.87	3.98	4.30	22.1	21.3	20.7	19.2
Average						2.9%	68%						24.7	22.7	21.5	20.3					24.1	22.6	21.8	20.4
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
EXC	Exelon	48.6	Buy	\$53	\$50.38	2.8%	45%	965	3.16	3.25	3.17	3.21	15.9	15.5	15.9	15.7	3.15	3.17	3.14	3.33	16.0	15.9	16.0	15.1
PEG	PSEG	30.1	Buy	\$62	\$59.58	3.2%	58%	505	3.25	3.60	3.70	3.87	18.3	16.6	16.1	15.4	3.25	3.54	3.65	3.88	18.3	16.8	16.3	15.4
Average						3.0%	52%						17.1	16.0	16.0	15.5					17.2	16.4	16.2	15.3
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NRG	NRG Energy	12.0	Buy	\$51	\$43.13	0.3%	0%	279	1,975	1,858	1,900	1,936	8.9	9.2	8.7	8.5	2,141	2,080	1,827	1,936	8.0	8.1	8.9	NA
VST	Vistra Energy	12.7	Buy	\$39	\$26.09	1.9%	0%	486	3,367	3,472	3,612	3,770	7.0	6.7	6.3	5.8	3,366	3,355	3,185	3,733	6.6	6.4	6.3	NA
Average													8.0	8.0	7.5	7.2					7.3	7.3	7.6	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.4	Buy	\$33	\$30.80	3.8%	69%	501	1.70	1.89	2.02	2.13	18.1	16.3	15.2	14.5	1.67	1.82	1.94	2.13	18.4	16.9	15.9	14.5
D	Dominion	61.4	Buy	\$82	\$75.94	4.8%	86%	808	4.24	4.44	4.68	4.92	17.9	17.1	16.2	15.4	4.21	4.41	4.65	4.95	18.0	17.2	16.3	15.3
DTE	DTE Energy	22.9	Buy	\$127	\$125.11	3.0%	60%	183	6.26	6.72	7.21	7.63	20.0	18.6	17.4	16.4	6.24	6.58	7.04	7.52	20.1	19.0	17.8	16.6
NEE	NextEra	92.6	Buy	\$205	\$193.61	2.6%	58%	478	8.63	9.19	9.91	10.52	22.4	21.1	19.5	18.4	8.40	9.07	9.76	10.49	23.0	21.3	19.8	18.5
OGE	OGE Energy	8.7	Neutral	\$41	\$43.37	3.5%	70%	200	2.14	2.30	2.41	2.51	20.3	18.9	18.0	17.3	2.14	2.31	2.43	2.51	20.2	18.8	17.9	17.3
SRE	Sempra Energy	34.3	Buy	\$133	\$125.04	3.1%	64%	274	6.10	7.26	7.66	7.96	20.5	17.2	16.3	15.7	6.01	7.10	7.70	7.96	20.8	17.6	16.2	15.7
Average						3.4%	68%						19.9	18.2	17.1	16.3					20.1	18.5	17.3	16.3
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AWK	American Water Works	19.3	Neutral	\$96	\$106.69	1.8%	54%	181	3.61	3.96	4.27	4.60	29.6	26.9	25.0	23.2	3.59	3.89	4.21	4.66	29.7	27.4	25.3	22.9
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.2	Neutral	\$11	\$14.73	5.4%	NA	183	1,026	1,056	1,063	1,076	9.0	9.1	9.0	9.3	995	1,060	1,092	NA	8.4	7.9	7.4	-
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$46.59	4.4%	NA	56	1,393	1,560	1,811	1,981	7.9	7.4	6.9	0.0	1,148	1,287	1,481	1,981	9.6	9.0	8.4	NA

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

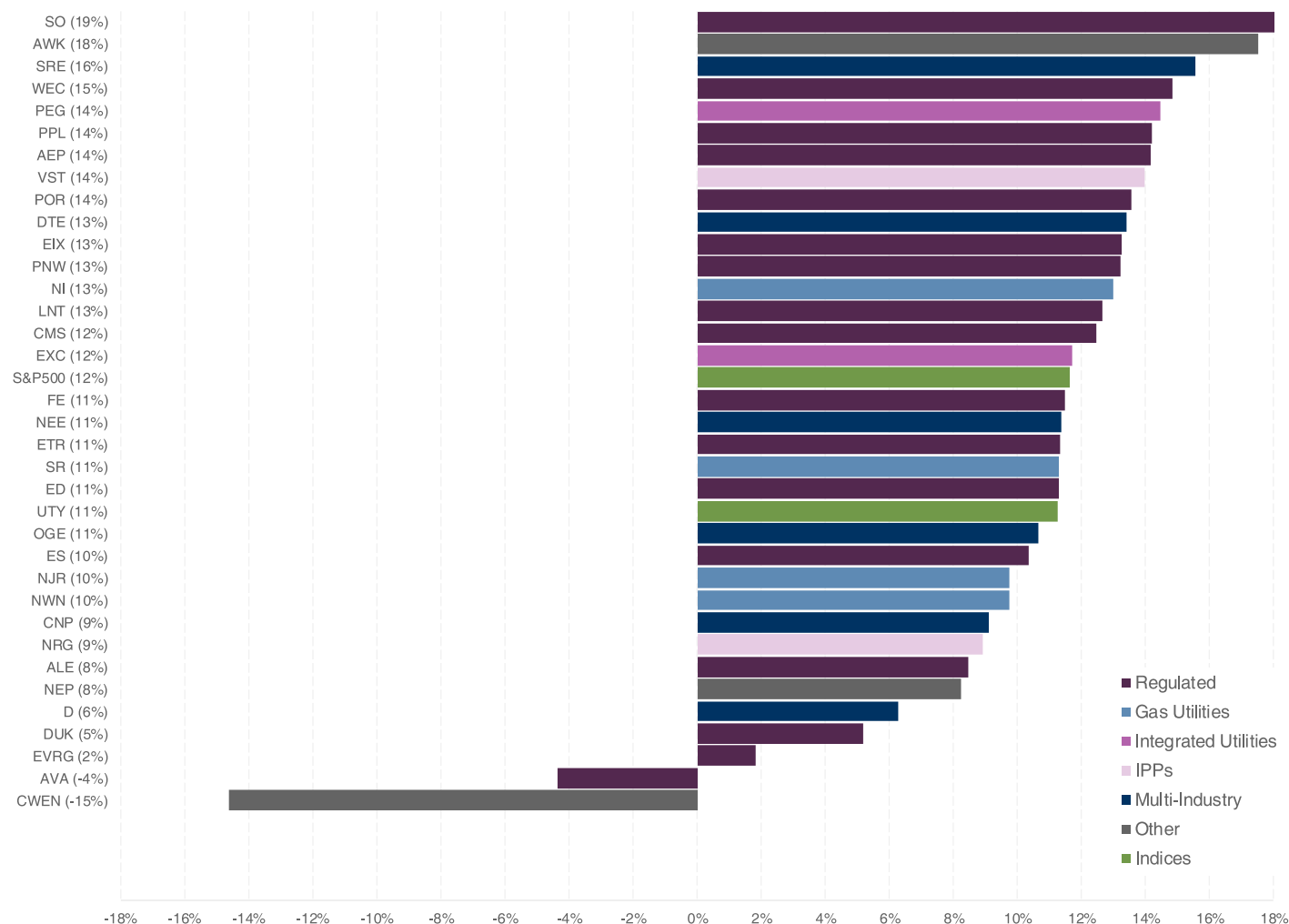
Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES & ALTERNATIVE ENERGY

March 26, 2019

### Share Price Performance (Year-to-Date)

#### Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

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Source: Bloomberg, Guggenheim Securities, LLC estimates.

**Conference Call: Atlantic Coast Pipeline****GUGGENHEIM**Innovative Solutions.  
Enduring Values.<sup>SM</sup>

Equity Research | Corporate Access

**Conference Call: Atlantic Coast Pipeline Discussion | Assessing the Viability of the Pipeline Project as Proposed – Will ACP Ever Get Built?**

Please join us for a conversation on Dominion and Duke's Atlantic Coast Pipeline Project with Guggenheim industry policy expert Clint Soderstrom.

**Date and Time**

Wednesday, April 10, 2019  
10:00am ET

**Topics**

- Outlook, paths forward, solutions, timing etc. for key permits including Appalachian Trail and Biological Opinion/Incidental Take Statement.
- Thoughts around recent 4<sup>th</sup> circuit decisions – profiling the Circuit and assessing if the Court is simply negative ACP in general coming off of a recent unanimous en banc hearing decision.
- Drill down further into a Supreme Court path with Appalachian Trail especially given Federal support and wide reaching ramifications with this decision for other existing pipes, projects – i.e. does this decision that could threaten the authority granted to existing pipelines get the attention of the Supreme Court?
- Discussion on administrative and legislative options with the Appalachian Trail and other potential options not widely discussed.
- Biological Opinion – What decision is expected to be issued by the Court after oral arguments in May? Timing of a decision? BO/Incidental Take Statement upheld or not? In latter case, historical precedence with agencies rectifying deficiencies (i.e. timing, ease), timing, complexities, etc.
- Timing of when actual construction could recommence and best guess on when project, as proposed by developers, can begin to flow gas.
- Independent utility designation option that sits with FERC with ACP.
- Legal avenues by opponents that could further derail the project.
- Conclude whether this project will get built as proposed, its timing and whether we end up with a pipe that could look completely different.

**Call Format**

45-60 minute session for speaker discussion followed by audience Q&A

**Dial-in**

Dial-in: 1.866.436.9172

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

**Speaker Bio**

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## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	TBD	SJI	9/5	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due
04/30	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Statements of Position Due
05/01	PJM	Capacity Market				Planning parameters released
May to August	EIX	Risk Assessment	SCE	CA	I1811006	SCE incorporates RAMP results into its GRC
05/06	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery cutoff for Responsive Testimony
05/06	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Rebuttal Testimony for Revenue Requirement
05/06	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	PSC decision expected by
05/13	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Rebuttal Testimony for Rate Design
05/15	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Settlement Conference
05/15	EIX	Risk Assessment	SCE	CA	I1811006	SED to file and serve its staff report on SCE's RAMP submission

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

### Key Company Research

1. [EXC NDR: State Rescue Cometh - Deeper Dive](#)
2. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
3. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
4. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
5. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
6. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
7. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
8. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
9. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
10. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
11. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
12. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
13. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
14. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
15. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
16. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
17. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
18. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
19. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
20. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
21. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
22. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
23. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
24. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
25. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
26. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
27. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
30. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
31. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
32. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
33. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)

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34. CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug
35. PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point
36. VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \$37
37. ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over
38. WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court
39. NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend
40. DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”
41. CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” (UP) in Michigan? We May be at an Inflection Point
42. SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential

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Ticker	Price	Rating
ALE	82.23	Neutral
D	75.52	Buy
DUK	90.70	Buy
EXC	50.28	Buy
NEE	193.93	Buy
NWN	66.17	Sell
PNW	96.72	Neutral
SRE	126.07	Buy

## The Guggenheim Daily Transmission: Santee, D, DUK, NEE, EXC, ALE, PNW, NWN, ISO-NE, SRE, MISO, SPP

**For Guggenheim's NDR schedule, please scroll down**

### What's New?

**Santee Cooper** – SC Senate president, time to collect bids on Santee

**D** – New Hampshire Governor won't subsidize other state's clean energy

**D** – Activity on VEPCO IRP docket

**EXC** – MD PSC issues order in Pepco MD rate case

**ALE** – PolyMet receives final major permit for copper-nickel project

**PNW** – Navajo Nation votes to end exploration of Navajo plant rescue

**PNW** – APS exploring use of biomass at Cholla coal plant

**PNW** – Additional comments filed in ACC energy policy docket

**NWN** – NW Natural announces new water acquisitions in WA/ID

**ISO-NE** – NH Policymakers voice concerns over Millstone contracts

**SRE** – AMLO candidates for CRE rejected by Mexican Senate

**MISO/SPP** – FERC requests additional tariff changes for uplift order compliance

### Santee Cooper/D/DUK/NEE – SC Senate president, time to collect bids on Santee

- Continued press [coverage](#) on recent bills introduced regarding a 100% sale of Santee Cooper – Senate president advocating for 100% sale.
- According to the press, the Senate finance committee did not vote on the bill yet but more discussions are expected.
- Last month, Senator Peeler created a nine member committee to review what to do with Santee Cooper, emphasizing the only goal was to protect rate payers.
- After 27 days, Peeler shifted his focus.... and said on the Senate floor, "For almost two years Santee Cooper has been looming over us. Their leadership is in crisis, they're crippled by debt, and **it is clear to me that Santee Cooper cannot see their own way** for our ratepayers and taxpayers."

**Guggenheim takeaway:** *Peeler has become a meaningful force behind a potential 100% sale of Santee Cooper. With the Senate bill still in the finance committee we see some debate ahead but generally speaking the House has historically been supportive of a 100% sale of Santee. Regarding a potential outright acquisition of Santee, in our utility coverage of ~42, at least one buyer (i.e. NEE) could "make the math" work (excess balance sheet capacity, experience taking costs out of inefficient assets, etc.) even with an outright acquisition given its scale, cost of capital and balance sheet capacity. For more current views on Santee see our recent NDR reports on D [HERE](#), NEE [HERE](#), and DUK [HERE](#).*

**D** – New Hampshire Governor won't subsidize other state's clean energy

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- In a reference to Millstone's recent deal, NH Governor Chris Sununu according to local [press](#) "is adamant that New Hampshire won't way for other states to subsidize clean energy."
- As a reminder, CT Governor Lamont [announced](#) a commitment from all New England Governors to "evaluate regional mechanisms to help maintain critical nuclear and clean energy facilities."

**Guggenheim takeaway:** *New Hampshire's clean energy goals are not as aggressive as its neighboring New England states so comments like this aren't too unexpected. Also given the Millstone contract is with CT we view the NH commentary as noise.*

**D – Activity on VEPCO IRP docket**

- Environmentalists [file](#) motion to compel in VEPCO IRP docket.

**Guggenheim takeaway:** *Continued activity on the IRP docket, back and forth with environmentalists is expected.*

**EXC – MD PSC issues order in Pepco MD rate case**

- The ~\$6.2mm rate increase (vs. ~\$20mm ask) will result in a 2% increase in customer bills.
- Docket available [HERE](#).

**Guggenheim takeaway:** *Slightly smaller allowed rate increase vs. the ask, but we believe EXC still remains well on track to hitting its 9-10% ROE targets for the PHI utilities. As a reminder, we were recently on the road with management – see our thoughts [HERE](#).*

**ALE – PolyMet receives final major permit for copper-nickel project**

- The Polymet copper-nickel mine project [has received](#) its final federal permit to construct the mine, one of 18 permits in a long-running process.
- Record of Decision and Section 404 wetland permit available [HERE](#).

**Guggenheim takeaway:** *Heads up. As a reminder, PolyMet's 45-50MW of incremental load is included in management's guidance. We also remain on the lookout for progress on the Mesabi/Essar taconite project, which could eventually bring ~110MW of load.*

**PNW – Navajo Nation votes to end exploration of Navajo plant rescue**

- The Navajo Nation Council [has voted](#) 11-9 to end their efforts to support a purchase/continued operation of the Navajo coal plant.
- "We recognize the decision of the 24th Council to allow NGS and Kayenta (Mine) to close at the end of this year" - Navajo Transitional Energy Co.

**Guggenheim takeaway:** *No surprise to us. APS is a minority stakeholder in the Navajo plant. We just hosted PNW mgmt. for a Roadshow... see our note [HERE](#).*

**PNW – APS exploring use of biomass at Cholla coal plant**

- APS is [exploring the possibility](#) that a portion of the 4 unit Cholla coal plant could be converted to biomass.
- The plant, co-owned with PacifiCorps (NYSE: BRK.A), is slated to close by 2025.

**Guggenheim takeaway:** *Minor data point. We recently hosted PNW mgmt. for a Roadshow... see our note [HERE](#).*

**PNW – Additional comments filed in ACC energy policy docket**

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- Comments from APS, TEP, and Arizonans for Electric Choice and Competition have been filed, with topics focused on EV infrastructure and modifications to the state's EV infrastructure procurements.
- For docket see [HERE](#).

***Guggenheim takeaway:** For your awareness – we see this as a very broad and contemplative process, but continue to monitor for major data points as they arise. Stay tuned...*

#### **NWN – NW Natural announces new water acquisitions in WA/ID**

- NWN “has signed agreements through its subsidiaries to acquire six water utility systems and one water and wastewater management company, together serving nearly 1,200 water distribution connections and managing another 1,000 water and wastewater customers.”
- Release available [HERE](#).

***Guggenheim takeaway:** NWN using its currency. An expected part of NWN's measured expansion into water utilities. We expect other small acquisitions like these over the course of the year.*

#### **ISO-NE – NH Policymakers voice concerns over Millstone contracts**

- New Hampshire officials are [reportedly unhappy](#) with CT policymakers' efforts to award a support contract to the Millstone plant.
- “When states intervene and disrupt the market, as Connecticut has done here, it places the vast majority of cost-competitive resources at a disadvantage, drives up the cost of electricity and leaves taxpayers on the hook to foot the bill.” - Jared Chicoine, NH Office of Strategic Initiatives

***Guggenheim takeaway:** A little confusing given the subsidy will be borne by CT ratepayers and not NH, but we get their concerns given past moves to reject items that could have been seen as “anti-competitive.”*

#### **SRE – AMLO candidates for CRE rejected by Mexican Senate**

- The Mexican Senate has [rejected](#) a slate of candidates nominated by Lopez-Obrador, leaving the energy regulator without a quorum until at least May.
- Lawmakers were reportedly unhappy with the qualifications of the 12 candidates.

***Guggenheim takeaway:** For your awareness.*

#### **MISO/SPP – FERC requests additional tariff changes for uplift order compliance**

- The [Commission rejected](#) MISO and SPP's current reporting practices for uplift payments, which were intended to meet the requirements enacted under Order 844.
- MISO order [HERE](#), SPP [HERE](#).

***Guggenheim takeaway:** Minor markets data point.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 25, 2019

## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Friday, March 22, 2019

Price as of Close		Friday, March 22, 2019		Guggenheim										Consensus										
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AEP	American Electric Power	42.0	Neutral	\$78	\$85.14	3.2%	62%	493	4.17	4.44	4.71	4.93	20.4	19.2	18.1	17.3	4.13	4.40	4.68	5.00	20.6	19.3	18.2	17.0
ALE	ALLETE	4.2	Neutral	\$74	\$82.23	3.1%	64%	52	3.65	4.01	4.21	4.29	22.5	20.5	19.5	19.2	3.58	3.85	4.12	4.46	23.0	21.3	19.9	18.4
AVA	Avista*	2.7	Neutral	\$38	\$40.75	4.0%	80%	66	1.89	2.05	2.23	2.41	21.6	19.9	18.3	16.9	1.94	2.10	2.36	2.45	21.1	19.5	17.3	16.6
CMS	CMS Energy	15.8	Neutral	\$53	\$55.64	2.9%	61%	284	2.50	2.69	2.88	3.08	22.3	20.7	19.4	18.1	2.50	2.68	2.87	3.07	22.3	20.8	19.4	18.1
DUK	Duke Energy	66.0	Buy	\$94	\$90.70	4.3%	75%	728	5.00	5.26	5.57	5.91	18.1	17.3	16.3	15.3	4.96	5.22	5.47	5.86	18.3	17.4	16.6	15.5
ED	Consolidated Edison	27.3	Neutral	\$82	\$84.91	3.6%	66%	321	4.36	4.60	4.75	4.92	19.5	18.5	17.9	17.3	4.33	4.56	4.76	4.90	19.6	18.6	17.8	17.3
EIX	Edison International*	21.1	Buy	\$71	\$64.69	4.2%	56%	326	4.58	4.90	5.34	5.72	14.1	13.2	12.1	11.3	4.48	4.71	4.94	5.34	14.4	13.7	13.1	12.1
ES	Eversource Energy	22.7	Neutral	\$72	\$71.69	3.2%	62%	317	3.49	3.68	3.86	4.05	20.5	19.5	18.6	17.7	3.47	3.69	3.88	4.13	20.7	19.5	18.5	17.4
ETR	Entergy	18.2	Buy	\$96	\$96.12	4.0%	69%	190	5.30	5.53	5.91	6.31	18.1	17.4	16.3	15.2	5.30	5.53	5.85	6.16	18.1	17.4	16.4	15.6
EVRG	Eversgy	14.8	Buy	\$61	\$58.00	3.6%	66%	255	2.93	3.14	3.32	3.52	19.8	18.4	17.5	16.5	2.89	3.16	3.32	3.50	20.1	18.3	17.5	16.6
FE	FirstEnergy	22.1	Buy	\$46	\$41.77	3.8%	63%	530	2.56	2.51	2.66	2.81	16.3	16.6	15.7	14.9	2.57	2.50	2.63	2.77	16.3	16.7	15.9	15.1
LNT	Alliant Energy	11.2	Neutral	\$41	\$47.55	3.2%	63%	236	2.24	2.37	2.50	2.69	21.2	20.1	19.0	17.7	2.25	2.41	2.54	2.68	21.1	19.7	18.7	17.7
PNW	Pinnacle West	10.8	Neutral	\$98	\$96.72	3.3%	63%	112	4.84	5.04	5.28	5.63	20.0	19.2	18.3	17.2	4.85	5.07	5.33	5.51	19.9	19.1	18.1	17.6
POR	Portland General Electric	4.6	Neutral	\$44	\$51.74	3.1%	63%	89	2.43	2.54	2.68	2.75	21.3	20.3	19.3	18.8	2.45	2.57	2.70	2.75	21.2	20.2	19.2	18.8
PPL	PPL Corporation	23.2	Neutral	\$29	\$32.19	5.7%	71%	721	2.44	2.58	2.74	2.85	13.2	12.5	11.7	11.3	2.44	2.53	2.55	2.85	13.2	12.7	12.6	11.3
SO	Southern Company	53.7	Neutral	\$44	\$51.88	4.9%	81%	1035	3.05	3.15	3.31	3.46	17.0	16.4	15.7	15.0	3.03	3.13	3.25	3.46	17.1	16.6	16.0	15.0
WEC	WEC Energy	25.0	Buy	\$76	\$79.33	3.1%	67%	315	3.50	3.73	3.98	4.26	22.6	21.3	19.9	18.6	3.52	3.74	3.97	4.24	22.5	21.2	20.0	18.7
*Average (Excl. EIX, PPL for P/E)						3.5%	63%						20.1 19.0 18.0 17.0								20.1 19.0 18.0 17.0			
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NI	NISource	10.7	Buy	\$29	\$28.61	2.8%	61%	372	1.32	1.37	1.47	1.58	21.7	20.9	19.5	18.1	1.31	1.39	1.47	1.58	21.8	20.5	19.4	18.1
NJR	New Jersey Resources	4.4	Sell	\$39	\$49.71	2.4%	60%	89	1.99	2.19	2.36	2.54	25.0	22.7	21.1	19.6	2.10	2.25	2.32	2.54	23.7	22.1	21.4	19.6
NWN	NW Natural Gas	1.9	Sell	\$49	\$66.17	2.9%	86%	29	2.21	2.58	2.68	2.74	29.9	25.6	24.7	24.1	2.32	2.53	2.61	2.71	28.5	26.2	25.4	24.4
SR	Spire	4.1	Neutral	\$77	\$81.21	3.0%	64%	51	3.74	3.89	4.01	4.28	21.7	20.9	20.3	19.0	3.74	3.87	3.98	4.30	21.7	21.0	20.4	18.9
Average						2.9%	68%						24.6 22.5 21.4 20.2								23.9 22.4 21.7 20.2			
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
EXC	Exelon	48.5	Buy	\$53	\$50.28	2.9%	45%	965	3.16	3.25	3.17	3.21	15.9	15.5	15.9	15.7	3.15	3.17	3.14	3.33	16.0	15.9	16.0	15.1
PEG	PSEG	30.1	Buy	\$62	\$59.63	3.2%	58%	505	3.25	3.60	3.70	3.87	18.3	16.6	16.1	15.4	3.25	3.54	3.65	3.88	18.4	16.9	16.3	15.4
Average						3.0%	52%						17.1 16.0 16.0 15.5								17.2 16.4 16.2 15.2			
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.9	Buy	\$51	\$42.49	0.3%	0%	279	1,975	1,858	1,900	1,936	8.8	9.1	8.6	8.4	2,141	2,080	1,827	1,936	7.9	8.1	8.8	NA
VST	Vistra Energy	12.6	Buy	\$39	\$25.98	1.9%	0%	486	3,367	3,472	3,612	3,770	7.0	6.7	6.3	5.8	3,366	3,355	3,185	3,733	6.6	6.5	6.3	NA
Average													7.9 7.9 7.4 7.1								7.3 7.3 7.5 NA			
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.4	Buy	\$33	\$30.72	3.8%	69%	501	1.70	1.89	2.02	2.13	18.1	16.3	15.2	14.4	1.67	1.82	1.94	2.13	18.4	16.9	15.9	14.4
D	Dominion	61.0	Buy	\$82	\$75.52	4.8%	86%	808	4.24	4.44	4.68	4.92	17.8	17.0	16.1	15.3	4.21	4.41	4.65	4.94	17.9	17.1	16.2	15.3
DTE	DTE Energy	22.9	Buy	\$127	\$124.89	3.0%	60%	183	6.26	6.72	7.21	7.63	20.0	18.6	17.3	16.4	6.24	6.58	7.04	7.52	20.0	19.0	17.7	16.6
NEE	NextEra	92.7	Buy	\$205	\$193.93	2.6%	58%	478	8.63	9.19	9.91	10.52	22.5	21.1	19.6	18.4	8.40	9.07	9.76	10.49	23.1	21.4	19.9	18.5
OGE	OGE Energy	8.6	Neutral	\$41	\$43.11	3.5%	70%	200	2.14	2.30	2.41	2.51	20.1	18.7	17.9	17.2	2.14	2.31	2.43	2.51	20.1	18.7	17.8	17.2
SRE	Sempra Energy	34.5	Buy	\$133	\$126.07	3.1%	64%	274	6.10	7.26	7.66	7.96	20.7	17.4	16.5	15.8	6.01	7.10	7.70	7.96	21.0	17.8	16.4	15.8
Average						3.4%	68%						19.9 18.2 17.1 16.3								20.1 18.5 17.3 16.3			
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AWK	American Water Works	19.3	Neutral	\$96	\$106.78	1.8%	54%	181	3.61	3.96	4.27	4.60	29.6	27.0	25.0	23.2	3.59	3.89	4.21	4.66	29.7	27.5	25.4	22.9
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.2	Neutral	\$11	\$14.70	5.4%	NA	183	1,026	1,056	1,063	1,076	9.0	9.1	9.0	9.3	995	1,060	1,092	NA	8.4	7.9	7.4	-
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$45.72	4.5%	NA	56	1,393	1,560	1,811	1,981	7.8	7.4	6.8	0.0	1,148	1,287	1,481	1,981	9.4	8.9	8.3	NA

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

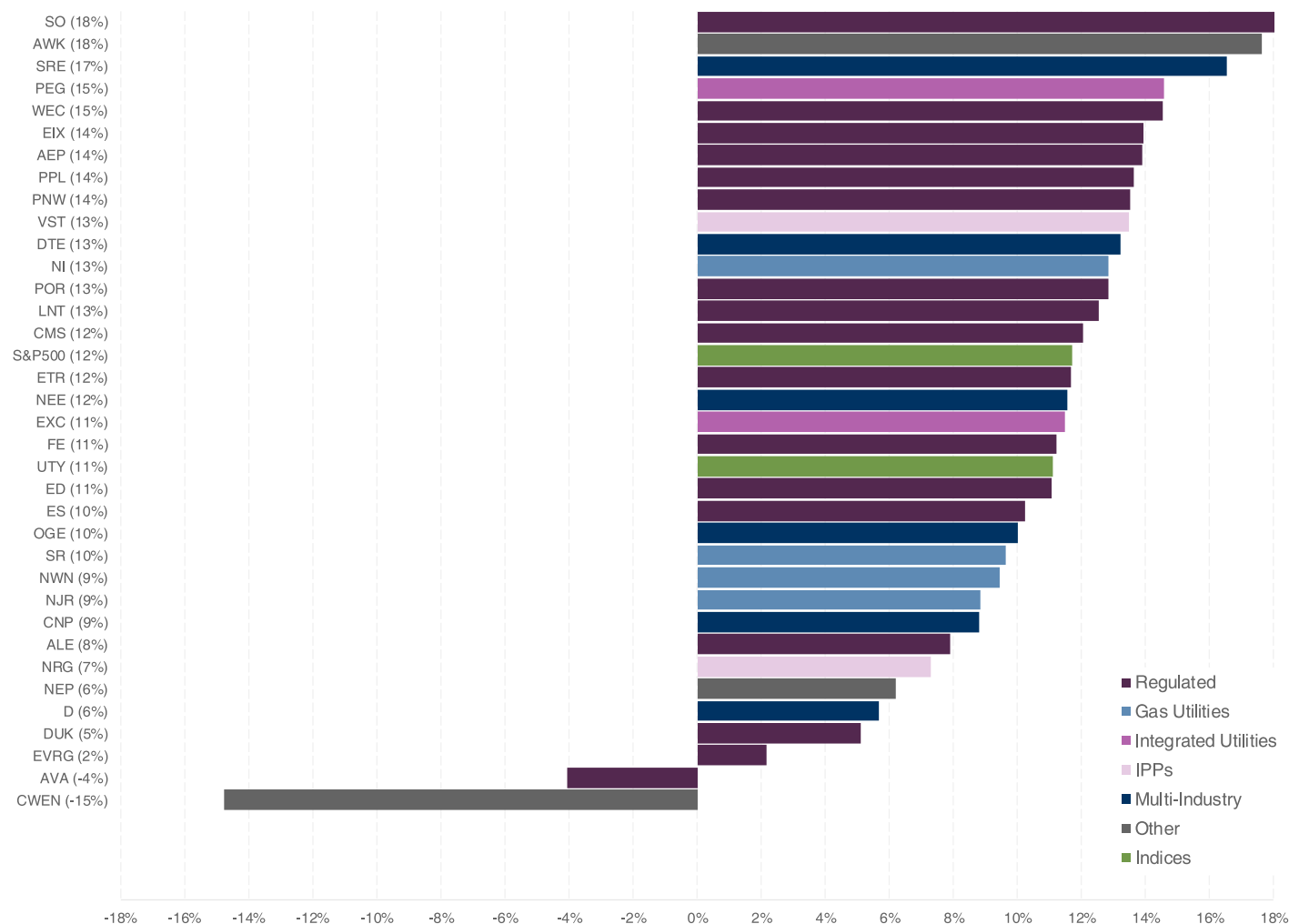
Source: Bloomberg, Guggenheim Securities, LLC estimates.

POWER, UTILITIES & ALTERNATIVE ENERGY

March 25, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
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- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 25, 2019

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	TBD	SJI	9/5	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 25, 2019

## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due
04/30	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Statements of Position Due
05/01	PJM	Capacity Market				Planning parameters released
May to August	EIX	Risk Assessment	SCE	CA	I1811006	SCE incorporates RAMP results into its GRC
05/06	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery cutoff for Responsive Testimony
05/06	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Rebuttal Testimony for Revenue Requirement

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

### Key Company Research

1. [EXC NDR: State Rescue Cometh - Deeper Dive](#)
2. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
3. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
4. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
5. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
6. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
7. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
8. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
9. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
10. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
11. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
12. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
13. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
14. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
15. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
16. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
17. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
18. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
19. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
20. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
21. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
22. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
23. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
24. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
25. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
26. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
27. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
30. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
31. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
32. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
33. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)

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34. [CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
35. [PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
36. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
37. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
38. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
39. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
40. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
41. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
42. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

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Ticker	Price	Rating
D	74.94	Buy
EXC	49.10	Buy
NWN	64.47	Sell
PNW	94.73	Neutral
SO	51.18	Neutral
WEC	77.74	Buy

## The Guggenheim Daily Transmission: Santee, SO, EXC, FERC, PNW, NWN, WEC, D

**For Guggenheim's NDR schedule, please scroll down****What's New?****Santee Cooper/NEE/DUK/D** – Senate President introduces bill to sell Santee**Southern Company** – \$3.7bn DOE loan guarantee for Vogtle affirmed**EXC/IL** – Senators added as cosponsors to IL Clean legislation**FERC** – Removal of David Hill from contention reportedly leaves 5<sup>th</sup> FERC nominee 'months' away**FERC** – Chief of Staff Anthony Pugliese to depart Commission**PNW** – EV/Grid mod docket draws comments**NWN** – Settlement reached in Sun River acquisition docket, schedule suspended**WEC** – Transcript of oral arguments in solar docket posted**D** – Judge delays lawsuits for ACP decision on conditional use permit in Robinson County**Santee Cooper/NEE/DUK/D – Senate President introduces bill to sell Santee**

- Here is the bill: [https://www.scstatehouse.gov/sess123\\_2019-2020/bills/678.htm](https://www.scstatehouse.gov/sess123_2019-2020/bills/678.htm)
- In a turning of the tide event, South Carolina's Senate President introduced a bill to sell 100% of Santee Cooper.
- The bill hands over the process of evaluating and executing bids to the Governor's office
- Local press coverage on this and the bill can be found [HERE](#) [HERE](#) and [HERE](#).
- The press reports above remind reader that 10 major power companies anonymously submitted 15 non-binding bids for Santee Cooper
- Four of these were "credible bids to purchase the entire utility, three of which would ensure Santee Cooper's customers pay no further for VC Summer"
- Past press [reports](#) have noted that "there appears to be a growing appetite in the SC House to sell or restructure Santee Cooper"
- The bill, S678, was referred to the Committee on Finance and is making progress through the legislative system.

**Guggenheim takeaway:** As a reminder the Governor of South Carolina, Henry McMaster, has been a proponent of selling Santee Cooper since shortly after the VC Summer nuclear power plant was abandoned in July of 2017. To us this is a potential paradigm shift because in past reports the local press was [explaining](#) there were not enough votes in the senate to move forward with a sale. For this reason it was always implied that the senate was the blocking mechanism to a sale of Santee Cooper – it's possible this is now lifted with support from a major Senate leader. This could shift our recent view that an MSA would have been more likely than a 100% sale of Santee Cooper – i.e. the news makes a 100% sale of Santee Cooper now more probable. In our recent NDRs including with D and in conversations we have had with DUK and NEE, the idea of a management services agreement surfaced and

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*had become more viable vs a 100% acquisition. In our view at least one buyer (i.e. NEE) can “make the math” work (excess balance sheet capacity, experience taking costs out of inefficient assets etc.) even with an outright acquisition given its scale cost of capital and balance sheet capacity. For more current views on Santee see our recent NDRs on D [HERE](#), NEE [HERE](#), and DUK [HERE](#).*

#### **Southern Company – \$3.7bn DOE loan guarantee for Vogtle affirmed**

- Financial press [notes](#) the federal government is finalizing \$3.7bn in loan guarantees to Southern Company for its Vogtle nuclear power plant.
- The affirmation of the loan guarantees coincide with U.S. Energy Secretary Rick Perry's visit to Vogtle with Georgia Governor Brian Kemp.

***Guggenheim takeaway:** Fully expected and nothing too new. As a reminder the original loan guarantee of \$3.46bn was approved in 2014 and in 2017 a conditional commitment for an incremental \$1.67bn was approved. The 2017 amount of \$1.67bn is SO's pro rata share of the \$3.7bn discussed in the financial press this week (SO is a 45.7% owner of Vogtle). See 2017 SO press release [HERE](#).*

#### **EXC/IL – Senators added as cosponsors to IL Clean legislation**

- Sens. Heather Steans and Laura Murphy have been added to the 20 other co-sponsors of SB2132
- Bill available [HERE](#)

***Guggenheim takeaway:** Data point. See our recent thoughts on SB2132 and EXC in IL [HERE](#).*

#### **FERC – Removal of David Hill from contention reportedly leaves 5<sup>th</sup> FERC nominee 'months' away**

- Politico is [reporting](#), in conjunction with its Tuesday scoop, that the removal of David Hill from contention means the next candidate could be “at least” 3 months away as no other potential nominee has undergone an FBI background check
- Wisconsin's Ellen Nowak [has also been floated](#) as a candidate

***Guggenheim takeaway:** A follow on to yesterday's report, and another supporting data point for the possibility that a Republican nominee for the 5<sup>th</sup> seat could wind up paired with a replacement for LaFleur. We continue to look out for additional data points, but Hill's removal is a top line negative for those hoping the Commission would be back to full strength by April. We continue to wait for clarity on several key power market reforms (e.g., capacity, fast start in PJM).*

#### **FERC – Chief of Staff Anthony Pugliese to depart Commission**

- FERC Chief of Staff Anthony Pugliese is slated to [depart](#) the agency for the private sector after serving Chairs McIntyre and Chatterjee

***Guggenheim takeaway:** For your awareness. Pugliese was embroiled in reports that the DOE was exerting undue influence over the Commission in 2018 with regards to fuel security and coal/nuclear.*

#### **PNW – EV/Grid mod docket draws comments**

- A slate of parties representing various smart grid/consumer interests have filed comments in the ACC's modernization docket
- See [HERE](#)

***Guggenheim takeaway:** For your awareness.*

#### **NWN – Settlement reached in Sun River acquisition docket, schedule suspended**

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- “The Stipulating Parties anticipate filing a Stipulation on or before March 29, 2019, with joint supporting testimony to follow”
- See [HERE](#)

**Guggenheim takeaway:** *No surprise - for your awareness.*

**WEC– Transcript of oral arguments in solar docket posted**

- 100+ pages of transcripts from the March 6<sup>th</sup> hearings
- See [HERE](#)

**Guggenheim takeaway:** *Heads up.*

**D – Judge delays ACP lawsuit decision for conditional use permit in Robinson County**

- Permit allows for a metering station and a 350 foot tower.
- Superior Court Judge Mary Ann Tally gave plaintiffs two more weeks to submit more data supporting their stance against the permit.
- Lawsuit includes some residents, Tuscarora Tribe, environmental groups etc.
- See here: <https://www.robesonian.com/news/121409/judge-delays-any-decision-on-acp-related-lawsuit-against-the-county>

**Guggenheim takeaway:** *Definitely more noise and not the gating issues we are monitoring like BO and Appalachia Trail permit process.*

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Wednesday, March 20, 2019

Price as of Close		Guggenheim							Consensus															
		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
Regulated Electric Utilities <sup>(1)</sup>						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AEP	American Electric Power	40.9	Neutral	\$78	\$82.87	3.3%	62%	493	4.17	4.44	4.71	4.93	19.9	18.7	17.6	16.8	4.13	4.40	4.68	5.00	20.1	18.8	17.7	16.6
ALE	ALLETE	4.2	Neutral	\$74	\$81.45	3.1%	64%	52	3.65	4.01	4.21	4.29	22.3	20.3	19.3	19.0	3.58	3.85	4.12	4.46	22.8	21.1	19.8	18.3
AVA	Avista*	2.7	Neutral	\$38	\$40.45	4.0%	80%	66	1.89	2.05	2.23	2.41	21.4	19.7	18.1	16.8	1.94	2.10	2.36	2.45	20.9	19.3	17.2	16.5
CMS	CMS Energy	15.5	Neutral	\$53	\$54.60	3.0%	61%	283	2.50	2.69	2.88	3.08	21.8	20.3	19.0	17.7	2.50	2.68	2.87	3.07	21.8	20.4	19.0	17.8
DUK	Duke Energy	65.0	Buy	\$94	\$89.38	4.4%	75%	727	5.00	5.26	5.57	5.91	17.9	17.0	16.0	15.1	4.96	5.23	5.47	5.86	18.0	17.1	16.3	15.2
ED	Consolidated Edison	26.9	Neutral	\$82	\$83.84	3.6%	66%	321	4.36	4.60	4.75	4.92	19.2	18.2	17.7	17.0	4.33	4.56	4.76	4.90	19.3	18.4	17.6	17.1
EIX	Edison International*	20.6	Buy	\$69	\$63.29	4.3%	56%	326	4.58	4.90	5.34	5.72	13.8	12.9	11.9	11.1	4.48	4.71	4.94	5.34	14.1	13.4	12.8	11.9
ES	Eversource Energy	22.3	Neutral	\$72	\$70.22	3.2%	62%	317	3.49	3.68	3.86	4.05	20.1	19.1	18.2	17.3	3.47	3.69	3.88	4.13	20.2	19.1	18.1	17.0
ETR	Entergy	17.7	Buy	\$96	\$93.57	4.1%	69%	190	5.30	5.53	5.91	6.31	17.7	16.9	15.8	14.8	5.48	5.58	5.85	6.16	17.1	16.8	16.0	15.2
EVRG	Evergy	14.4	Buy	\$61	\$56.50	3.7%	67%	255	2.93	3.14	3.32	3.52	19.3	18.0	17.0	16.1	2.89	3.16	3.31	3.50	19.5	17.9	17.1	16.2
FE	FirstEnergy	21.5	Buy	\$46	\$40.59	3.9%	63%	530	2.56	2.51	2.66	2.81	15.9	16.2	15.3	14.4	2.57	2.50	2.63	2.77	15.8	16.2	15.5	14.7
LNT	Alliant Energy	11.0	Neutral	\$41	\$46.58	3.2%	63%	236	2.24	2.37	2.50	2.69	20.8	19.7	18.6	17.3	2.25	2.41	2.54	2.68	20.7	19.3	18.3	17.3
PNW	Pinnacle West	10.6	Neutral	\$98	\$94.73	3.3%	63%	112	4.84	5.04	5.28	5.63	19.6	18.8	17.9	16.8	4.85	5.07	5.33	5.51	19.5	18.7	17.8	17.2
POR	Portland General Electric	4.6	Neutral	\$44	\$51.04	3.2%	63%	89	2.43	2.54	2.68	2.75	21.0	20.1	19.0	18.6	2.45	2.57	2.70	2.75	20.9	19.9	18.9	18.6
PPL	PPL Corporation	23.1	Neutral	\$29	\$32.11	5.7%	71%	721	2.44	2.58	2.74	2.85	13.2	12.4	11.7	11.3	2.44	2.55	2.55	2.85	13.2	12.6	12.6	11.3
SO	Southern Company	52.9	Neutral	\$44	\$51.18	5.0%	81%	1035	3.05	3.15	3.31	3.46	16.8	16.2	15.5	14.8	3.03	3.13	3.25	3.46	16.9	16.4	15.7	14.8
WEC	WEC Energy	24.5	Buy	\$76	\$77.74	3.2%	67%	315	3.50	3.73	3.98	4.26	22.2	20.8	19.5	18.2	3.52	3.74	3.97	4.24	22.1	20.8	19.6	18.3
*Average (Excl. EIX, PPL for P/E)						3.6%	63%		19.7	18.7	17.6	16.7					19.7	18.7	17.6	16.7				
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NI	NISource	10.4	Buy	\$29	\$27.95	2.9%	61%	372	1.32	1.37	1.47	1.58	21.2	20.4	19.0	17.7	1.31	1.39	1.47	1.58	21.3	20.1	19.0	17.7
NJR	New Jersey Resources	4.4	Sell	\$39	\$49.15	2.4%	60%	89	1.99	2.19	2.36	2.54	24.7	22.4	20.8	19.4	2.10	2.25	2.32	2.54	23.4	21.8	21.2	19.4
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.47	2.9%	86%	29	2.21	2.58	2.68	2.74	29.2	25.0	24.1	23.5	2.32	2.53	2.61	2.71	27.8	25.5	24.7	23.8
SR	Spire	4.1	Neutral	\$77	\$80.43	3.0%	64%	51	3.74	3.89	4.01	4.28	21.5	20.7	20.1	18.8	3.74	3.87	3.98	4.30	21.5	20.8	20.2	18.7
Average						3.0%	68%		24.1	22.1	21.0	19.8					23.5	22.0	21.3	19.9				
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
EXC	Exelon	47.6	Buy	\$53	\$49.10	2.9%	45%	970	3.16	3.25	3.17	3.21	15.5	15.1	15.5	15.3	3.15	3.17	3.14	3.36	15.6	15.5	15.6	14.6
PEG	PSEG	29.7	Buy	\$62	\$58.89	3.2%	58%	505	3.25	3.60	3.70	3.87	18.1	16.4	15.9	15.2	3.25	3.54	3.65	3.88	18.1	16.7	16.1	15.2
Average						3.1%	52%		16.8	15.7	15.7	15.3					16.9	16.1	15.9	14.9				
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.9	Buy	\$51	\$42.51	0.3%	0%	279	1,975	1,858	1,900	1,936	8.8	9.1	8.6	8.4	1,960	1,888	1,827	1,936	8.6	8.8	8.8	NA
VST	Vistra Energy	12.4	Buy	\$39	\$25.60	2.0%	0%	486	3,367	3,472	3,612	3,770	7.0	6.6	6.2	5.8	3,366	3,355	3,185	3,733	6.6	6.4	6.2	NA
Average									7.9	7.9	7.4	7.1					7.6	7.6	7.5	NA				
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.2	Buy	\$33	\$30.26	3.9%	69%	501	1.70	1.89	2.02	2.13	17.8	16.0	15.0	14.2	1.67	1.82	1.94	2.13	18.1	16.6	15.6	14.2
D	Dominion	60.6	Buy	\$82	\$74.94	4.9%	86%	808	4.24	4.44	4.68	4.92	17.7	16.9	16.0	15.2	4.21	4.41	4.65	4.94	17.8	17.0	16.1	15.2
DTE	DTE Energy	22.4	Buy	\$127	\$122.40	3.1%	60%	183	6.26	6.72	7.21	7.63	19.6	18.2	17.0	16.0	6.24	6.58	7.04	7.52	19.6	18.6	17.4	16.3
NEE	NextEra	90.8	Buy	\$205	\$189.87	2.6%	58%	478	8.63	9.19	9.91	10.52	22.0	20.7	19.2	18.0	8.40	9.07	9.76	10.49	22.6	20.9	19.4	18.1
OGE	OGE Energy	8.4	Neutral	\$41	\$42.26	3.6%	70%	200	2.14	2.30	2.41	2.51	19.7	18.4	17.5	16.8	2.14	2.31	2.43	2.51	19.7	18.3	17.4	16.8
SRE	Sempra Energy	34.3	Buy	\$133	\$125.05	3.1%	64%	274	6.10	7.26	7.66	7.96	20.5	17.2	16.3	15.7	6.01	7.10	7.70	7.96	20.8	17.6	16.2	15.7
Average						3.5%	68%		19.5	17.9	16.8	16.0					19.8	18.2	17.0	16.1				
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AWK	American Water Works	18.9	Neutral	\$96	\$104.69	1.9%	54%	181	3.61	3.96	4.27	4.60	29.0	26.4	24.5	22.8	3.59	3.89	4.23	4.66	29.1	26.9	24.7	22.5
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.1	Neutral	\$11	\$14.49	5.5%	NA	183	1,026	1,056	1,063	1,076	8.9	9.1	8.9	9.3	995	1,060	1,092	NA	8.4	7.8	7.4	-
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$45.77	4.5%	NA	56	1,393	1,560	1,811	1,981	7.8	7.4	6.8	0.0	1,148	1,287	1,481	1,981	9.5	8.9	8.3	NA

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

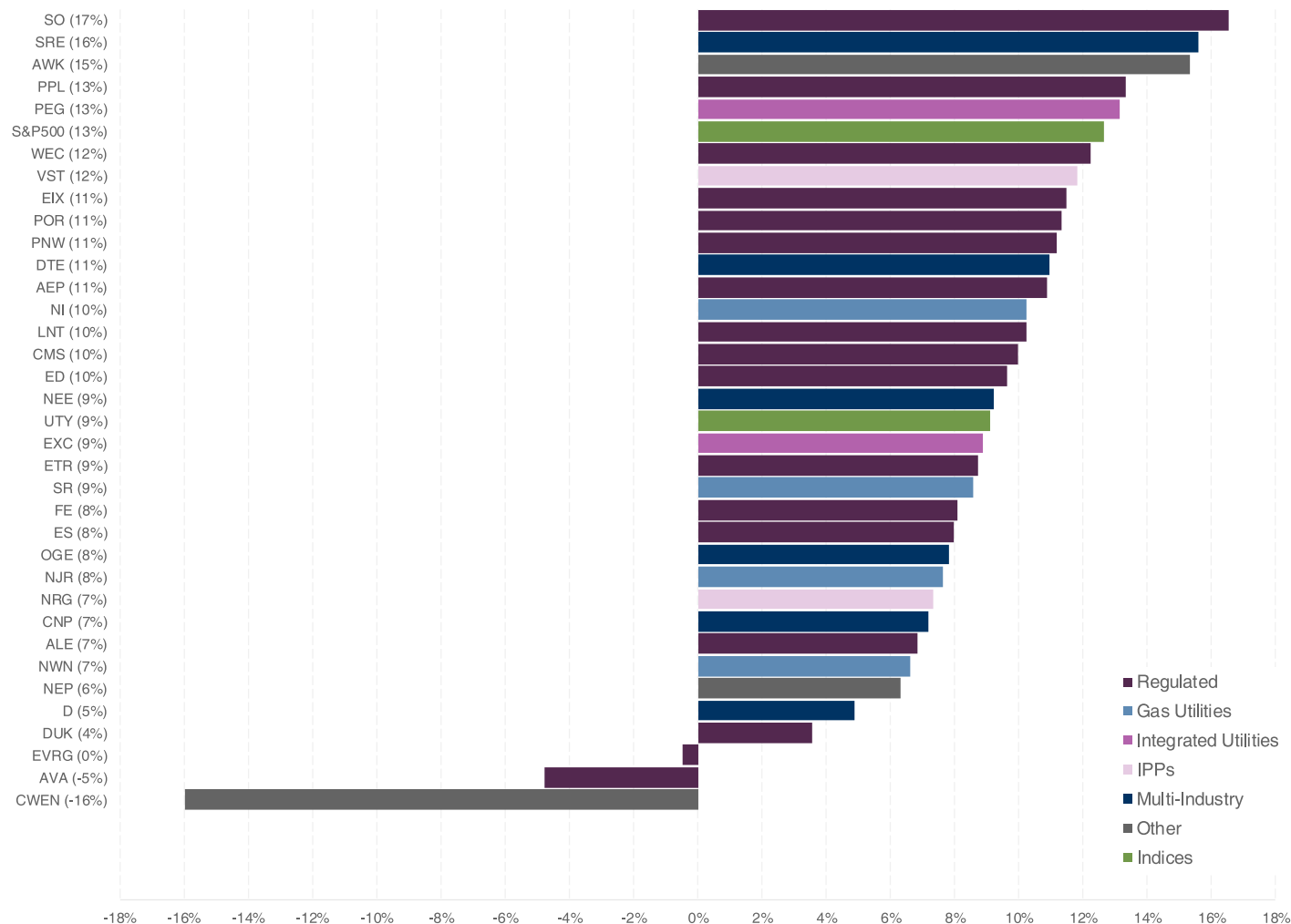
Source: Bloomberg, Guggenheim Securities, LLC estimates.

POWER, UTILITIES & ALTERNATIVE ENERGY

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	TBD	SJI	9/5	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due
04/30	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Statements of Position Due

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

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**Key Research****Guggenheim's Forward Commodity Curves**

- [Forward Commodity Curves for Power & Utility Modeling](#)

**Key Industry Research**

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

**Key Company Research**

1. [EXC NDR: State Rescue Cometh - Deeper Dive](#)
2. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
3. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
4. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
5. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
6. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
7. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
8. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
9. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
10. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
11. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
12. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
13. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
14. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
15. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
16. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
17. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
18. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
19. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
20. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
21. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
22. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
23. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
24. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
25. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
26. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
27. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
30. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
31. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
32. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
33. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)

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34. [CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
35. [PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
36. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
37. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
38. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
39. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
40. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
41. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
42. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

March 20, 2019

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Ticker	Price	Rating
AWK	104.35	Neutral
D	75.19	Buy
DUK	89.12	Buy
EXC	49.08	Buy
NEE	188.50	Buy

## The Guggenheim Daily Transmission: D, NEE, DUK, Santee Cooper, FERC, Policy, EXC, AWK

**For Guggenheim's NDR schedule, please scroll down**

### What's New?

**Santee Cooper/D/NEE/DUK** – Santee Chairman vows to shine light on utility's decisions

**FERC** – David Hill reportedly taken out of FERC contention by Rick Perry and coal lobby

**Policy** – White House Council of Economic Advisors annual report mentions a 'generation reserve'

**EXC** – Power trade group EPSA releases compilation of nuclear legislation opposition

**AWK** – Indiana American Water reaches stipulation and settlement in rate case

**Policy** – EIA notes renewable electricity generation doubled since 2008

### Santee Cooper/D/NEE/DUK – Santee Chairman vows to shine light on utility's decisions

- According to local [press](#) "Santee Cooper interim chairman Charlie Condon said his only role in the potential sale is to ensure its directors operate in the open and provide legislators all the information they need to make a decision"
- Condon told lawmakers "Santee Cooper could use a good dose of transparency and accountability...My role is to have as much debate in the public as we can possibly have"

**Guggenheim takeaway:** A 100% sale of Santee Cooper continues to have high hurdles – MSA likely what we will see. In our recent NDRs including with D, as well as conversations we have had with DUK and NEE, the idea of a management services agreement surfaced and has become much more viable vs. a 100% acquisition, in our view, though at least one buyer (i.e. NEE) can "make the math work" even with an outright acquisition given its scale, cost of capital and balance sheet capacity – we just don't believe Santee will have the votes to sell. For more current views on this, see our most recent D NDR note [HERE](#). For NEE thoughts, see [HERE](#). For DUK, see [HERE](#)

### FERC – David Hill reportedly taken out of FERC contention by Rick Perry and coal lobby

- [Politico](#) is [reporting](#) that Secretary of Energy Rick Perry and 'coal executives' successfully lobbied to have David Hill removed from contention for the open seat on the Commission

**Guggenheim takeaway:** Surprising announcement given we thought Hill had strong support – we believe he remains a very well-suited candidate thanks to experience both within the beltway (DOE) and outside (as NRG's General Counsel). As we previously highlighted (see [HERE](#)), Barry Smitherman, a former Texas regulator, and Pat McCormick, ENR Chair Murkowski's former aide, were also floated last month as names in contention. Either way, if criticism of the Administration's coal policies is a gating mechanism to a FERC seat, it might be a while before the spot is filled.

### Policy – White House Council of Economic Advisors annual report mentions a 'generation reserve'

- A broad economic report by the CEA has called for a "strategic need for an electricity generation reserve to promote the grid's resilience," and notes that FERC "could take a more interventionist role"

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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- The paragraph has [received criticism](#) from some policy experts, while the report's credits also included [fictional superhero characters](#)
- Report available [HERE](#)

**Guggenheim takeaway:** Noise.

#### EXC – Power trade group EPSA releases compilation of nuclear legislation opposition

- On the legislation EPSA notes: “It would needlessly raise consumer electricity bills and stifle competition by essentially guaranteeing market share for certain out of state nuclear plant owners. These same nuclear plant owners aggressively favored competition when they were winning, but now want to “tap out” from competition when it no longer suits their interests. Claims that PA’s nuclear plants will close without state subsidies are not well grounded.”
- Available [HERE](#)

**Guggenheim takeaway:** We have highlighted most of the items in the compilation in past Daily Transmissions and in our EXC note last week (see [HERE](#)), but all of them together paint a useful picture of the legislation’s opposition. We continue to look out for comments from the governor on the matter, and note that during our recent NDR EXC management did not have any illusions about passage (placing slight less than 50/50 odds of passage at this time). Stay tuned.

#### AWK – Indiana American Water reaches stipulation and settlement in rate case

- The step function [rate increase](#) will see rates increase ~1.7% this summer and ~6.1% beginning summer 2020
- The company had sought an \$18mm rate increase followed by another ~\$21mm step in 2020
- The settlement now awaits IURC approval, expected ‘by mid-2019’

**Guggenheim takeaway:** Generally as expected following the joint motion for leave to file settlement on February 27<sup>th</sup>.

#### Policy – EIA notes renewable electricity generation doubled since 2008

- EIA [highlighted](#) that renewable generation hit a record 742 million MWhs in 2018, almost double the 382 million MWh produced in 2008.
- Renewables provided the U.S. with 17.6% of its electric generation, including solar wind, hydro and other renewables.
- Almost 90% of the increase in renewable MWhs from 2008 to 2018 were from wind and solar generation.
- Total wind generation of 275 MWh in 2018 (6.5% of total generation) is nearly on par with hydro generation of 292 MWh (6.9% of total generation)

**Guggenheim takeaway:** We continue to witness a sustained growth in renewable generation. This trend continues to play out in the regulated utility arena with many state policies now allowing for rate based renewables or even earning a return on a PPA in certain jurisdictions.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 20, 2019

## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Tuesday, March 19, 2019

Price as of Close									Guggenheim								Consensus							
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AEP	American Electric Power	40.7	Neutral	\$78	\$82.56	3.3%	62%	493	4.17	4.44	4.71	4.93	19.8	18.6	17.5	16.7	4.13	4.40	4.67	5.00	20.0	18.8	17.7	16.5
ALE	ALLETE	4.2	Neutral	\$74	\$81.82	3.1%	64%	52	3.65	4.01	4.21	4.29	22.4	20.4	19.4	19.1	3.58	3.85	4.12	4.46	22.9	21.2	19.8	18.3
AVA	Avista*	2.7	Neutral	\$38	\$40.67	4.0%	80%	66	1.89	2.05	2.23	2.41	21.5	19.8	18.2	16.9	1.94	2.10	2.36	2.45	21.0	19.4	17.3	16.6
CMS	CMS Energy	15.4	Neutral	\$53	\$54.37	3.0%	61%	283	2.50	2.69	2.88	3.08	21.7	20.2	18.9	17.7	2.50	2.68	2.87	3.07	21.7	20.3	18.9	17.7
DUK	Duke Energy	64.8	Buy	\$94	\$89.12	4.4%	75%	727	5.00	5.26	5.57	5.91	17.8	16.9	16.0	15.1	4.96	5.23	5.47	5.86	18.0	17.0	16.3	15.2
ED	Consolidated Edison	26.9	Neutral	\$82	\$83.81	3.6%	66%	321	4.36	4.60	4.75	4.92	19.2	18.2	17.6	17.0	4.32	4.56	4.76	4.90	19.4	18.4	17.6	17.1
EIX	Edison International*	20.5	Buy	\$69	\$63.01	4.3%	56%	326	4.58	4.90	5.34	5.72	13.8	12.9	11.8	11.0	4.50	4.76	4.99	5.34	14.0	13.2	12.6	11.8
ES	Eversource Energy	22.3	Neutral	\$72	\$70.20	3.2%	62%	317	3.49	3.68	3.86	4.05	20.1	19.1	18.2	17.3	3.47	3.69	3.88	4.13	20.2	19.0	18.1	17.0
ETR	Entergy	17.7	Buy	\$96	\$93.18	4.1%	69%	190	5.30	5.53	5.91	6.31	17.6	16.8	15.8	14.8	5.49	5.58	5.85	6.16	17.0	16.7	15.9	15.1
EVRG	Evergy	14.4	Buy	\$61	\$56.43	3.7%	67%	255	2.93	3.14	3.32	3.52	19.3	18.0	17.0	16.0	2.89	3.17	3.31	3.52	19.5	17.8	17.1	16.1
FE	FirstEnergy	21.4	Buy	\$46	\$40.41	3.9%	63%	530	2.56	2.51	2.66	2.81	15.8	16.1	15.2	14.4	2.56	2.50	2.62	2.77	15.8	16.1	15.4	14.6
LNT	Alliant Energy	11.0	Neutral	\$41	\$46.46	3.2%	63%	236	2.24	2.37	2.50	2.69	20.7	19.6	18.6	17.3	2.25	2.40	2.53	2.68	20.6	19.4	18.3	17.3
PNW	Pinnacle West	10.6	Neutral	\$98	\$94.33	3.4%	63%	112	4.84	5.04	5.28	5.63	19.5	18.7	17.9	16.8	4.86	5.07	5.34	5.51	19.4	18.6	17.7	17.1
POR	Portland General Electric	4.5	Neutral	\$44	\$50.84	3.2%	63%	89	2.43	2.54	2.68	2.75	20.9	20.0	19.0	18.5	2.45	2.57	2.70	2.75	20.8	19.8	18.8	18.5
PPL	PPL Corporation	23.1	Neutral	\$29	\$32.10	5.7%	71%	721	2.44	2.58	2.74	2.85	13.2	12.4	11.7	11.3	2.44	2.55	2.56	2.85	13.2	12.6	12.6	11.3
SO	Southern Company	52.8	Neutral	\$44	\$50.99	5.0%	81%	1035	3.05	3.15	3.31	3.46	16.7	16.2	15.4	14.7	3.03	3.13	3.25	3.46	16.8	16.3	15.7	14.8
WEC	WEC Energy	24.5	Buy	\$76	\$77.61	3.2%	67%	315	3.50	3.73	3.98	4.26	22.2	20.8	19.5	18.2	3.52	3.74	3.97	4.24	22.1	20.8	19.6	18.3
*Average (Excl. EIX, PPL for P/E)						3.6%	63%						19.7 18.6 17.6 16.7								19.7 18.6 17.6 16.7			
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NI	NiSource	10.4	Buy	\$29	\$27.80	2.9%	61%	372	1.32	1.37	1.47	1.58	21.1	20.3	18.9	17.6	1.31	1.39	1.47	1.58	21.2	19.9	18.9	17.6
NJR	New Jersey Resources	4.4	Sell	\$39	\$49.31	2.4%	60%	89	1.99	2.19	2.36	2.54	24.8	22.5	20.9	19.4	2.10	2.25	2.32	2.54	23.5	21.9	21.2	19.4
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.40	2.9%	86%	29	2.21	2.58	2.68	2.74	29.1	25.0	24.0	23.5	2.32	2.53	2.61	2.71	27.7	25.5	24.7	23.8
SR	Spire	4.1	Neutral	\$77	\$79.93	3.0%	64%	51	3.74	3.89	4.01	4.28	21.4	20.5	19.9	18.7	3.74	3.87	3.98	4.30	21.4	20.6	20.1	18.6
Average						3.0%	68%						24.1 22.1 20.9 19.8								23.4 22.0 21.2 19.8			
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
EXC	Exelon	47.6	Buy	\$53	\$49.08	2.9%	45%	970	3.16	3.25	3.17	3.21	15.5	15.1	15.5	15.3	3.15	3.17	3.15	3.36	15.6	15.5	15.6	14.6
PEG	PSEG	29.9	Buy	\$62	\$59.12	3.2%	58%	505	3.25	3.60	3.70	3.87	18.2	16.4	16.0	15.3	3.25	3.54	3.65	3.88	18.2	16.7	16.2	15.3
Average						3.1%	52%						16.9 15.8 15.7 15.3								16.9 16.1 15.9 14.9			
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.7	Buy	\$51	\$41.93	0.3%	0%	279	1,975	1,858	1,900	1,936	8.8	9.0	8.5	8.4	1,960	1,888	1,827	1,936	8.6	8.7	8.7	NA
VST	Vistra Energy	12.4	Buy	\$39	\$25.58	2.0%	0%	486	3,367	3,472	3,612	3,770	7.0	6.6	6.2	5.7	3,366	3,355	3,185	3,733	6.6	6.4	6.2	NA
Average													7.9 7.8 7.4 7.0								7.6 7.6 7.5 NA			
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.2	Buy	\$33	\$30.27	3.9%	69%	501	1.70	1.89	2.02	2.13	17.8	16.0	15.0	14.2	1.67	1.82	1.94	2.13	18.1	16.6	15.6	14.2
D	Dominion	60.8	Buy	\$82	\$75.19	4.8%	86%	799	4.24	4.44	4.68	4.92	17.7	16.9	16.1	15.3	4.21	4.41	4.66	4.94	17.8	17.1	16.1	15.2
DTE	DTE Energy	22.4	Buy	\$127	\$122.14	3.1%	60%	183	6.26	6.72	7.21	7.63	19.5	18.2	16.9	16.0	6.24	6.58	7.04	7.52	19.6	18.6	17.4	16.3
NEE	NextEra	90.1	Buy	\$205	\$188.50	2.7%	58%	478	8.63	9.19	9.91	10.52	21.8	20.5	19.0	17.9	8.40	9.07	9.76	10.49	22.4	20.8	19.3	18.0
OGE	OGE Energy	8.4	Neutral	\$41	\$41.96	3.6%	70%	200	2.14	2.30	2.41	2.51	19.6	18.2	17.4	16.7	2.15	2.31	2.43	2.51	19.6	18.2	17.3	16.7
SRE	Sempra Energy	34.0	Buy	\$133	\$123.93	3.1%	64%	274	6.10	7.26	7.66	7.96	20.3	17.1	16.2	15.6	6.00	7.11	7.71	7.96	20.7	17.4	16.1	15.6
Average						3.5%	68%						19.5 17.8 16.8 16.0								19.7 18.1 17.0 16.0			
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AWK	American Water Works	18.9	Neutral	\$96	\$104.35	1.9%	54%	181	3.61	3.96	4.27	4.60	28.9	26.4	24.4	22.7	3.59	3.89	4.23	4.66	29.0	26.8	24.7	22.4
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.1	Neutral	\$11	\$14.50	5.5%	NA	183	1,026	1,056	1,063	1,076	8.9	9.1	8.9	9.3	995	1,060	1,092	NA	8.4	7.8	7.4	-
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$45.74	4.5%	NA	56	1,393	1,560	1,811	1,981	7.8	7.4	6.8	0.0	1,148	1,287	1,481	1,981	9.4	8.9	8.3	NA

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

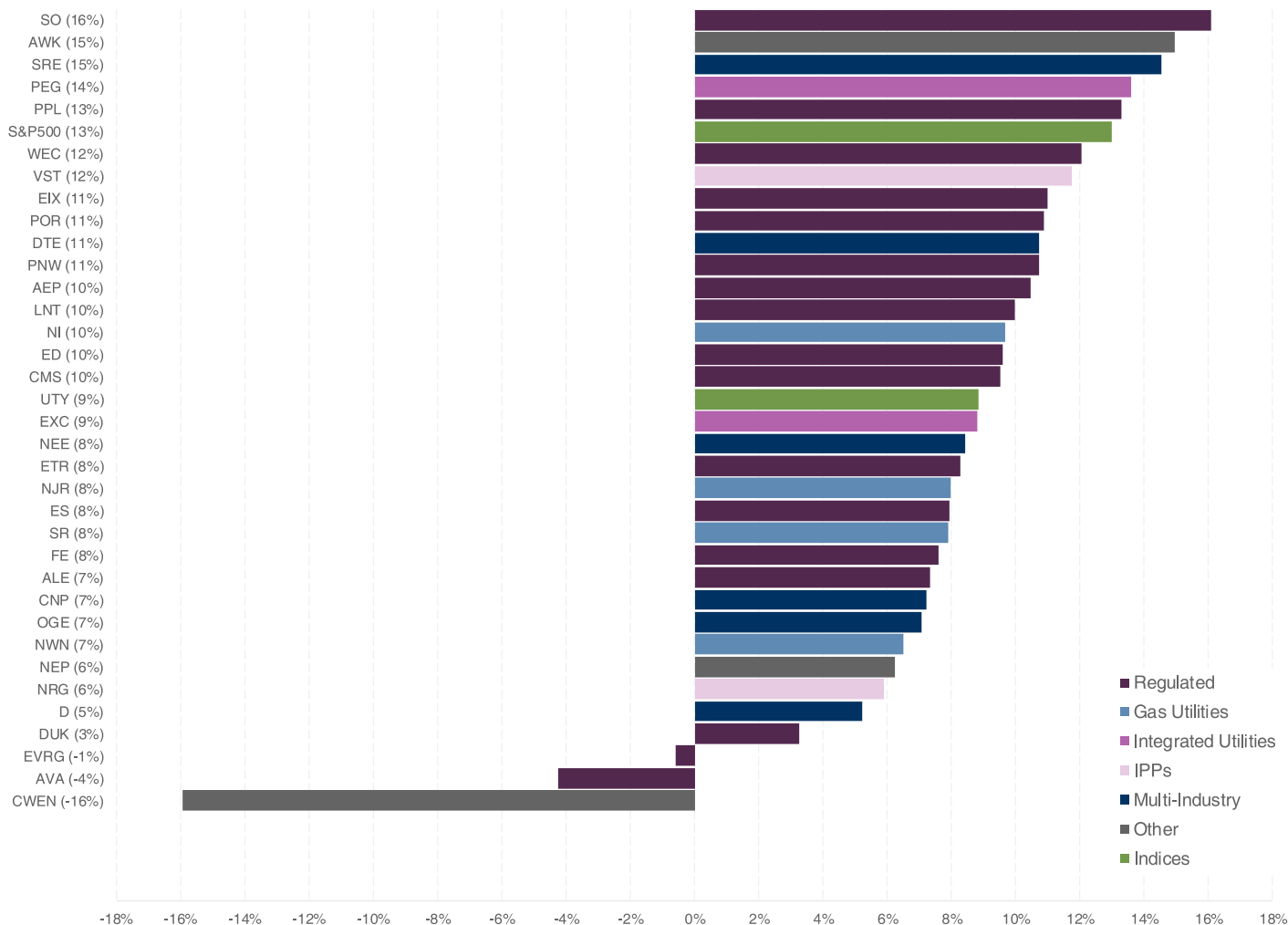
Source: Bloomberg, Guggenheim Securities, LLC estimates.

POWER, UTILITIES & ALTERNATIVE ENERGY

March 20, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
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- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 20, 2019

**Guggenheim 2019 Non Deal Roadshow Schedule**

Ticker	Dates	Regions	Ticker	Dates	Regions
<b>Commissioner Roundtable</b>	1/23	NYC	<b>LNT</b>	6/4	Boston
<b>FE</b>	1/22-1/23	Boston/NYC	<b>DUK</b>	6/6-6/7	Midwest
<b>D</b>	2/25-2/26	Boston/NYC	<b>SJI</b>	6/18	NYC
<b>WEC</b>	2/28-3/1	West Coast	<b>EIX</b>	6/20-6/21	Texas
<b>EXC</b>	3/7-3/8	Dallas/Houston	<b>PEG</b>	6/24-6/26	Midwest
<b>PNW</b>	3/11-3/13	Midwest	<b>AWK</b>	7/9-7/10	Midwest
<b>ALE</b>	4/2-4/4	TBD	<b>SJI</b>	9/5	NYC
<b>DTE</b>	4/5	Boston	<b>SJI</b>	9/5	Boston
<b>POR</b>	4/29-4/30	West Coast	<b>ETR</b>	9/12-9/13	TBD
<b>VST</b>	5/8-5/9	West Coast	<b>CMS</b>	11/21-11/22	Texas
<b>SRE</b>	5/13-5/15	West Coast			
<b>DTE</b>	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due
04/30	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Statements of Position Due

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

### Key Company Research

1. [EXC NDR: State Rescue Cometh - Deeper Dive](#)
2. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
3. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
4. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
5. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
6. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
7. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
8. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
9. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
10. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
11. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
12. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
13. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
14. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
15. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
16. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
17. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
18. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
19. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
20. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
21. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
22. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
23. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
24. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
25. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
26. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
27. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
30. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
31. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
32. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
33. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)

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34. [CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
35. [PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
36. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
37. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
38. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
39. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
40. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
41. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
42. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Rating and Price Target History for: Dominion Resources, Inc. (D) as of 03-19-2019



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Rating and Price Target History for: Duke Energy Corporation (DUK) as of 03-19-2019



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Power, Utilities &amp; Alternative Energy

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Ticker	Price	Rating
AVA	41.45	Neutral
D	77.04	Buy
DUK	90.65	Buy
EXC	50.00	Buy
LNT	47.40	Neutral
NI	27.89	Buy
SRE	124.62	Buy
WEC	78.88	Buy

## The Guggenheim Daily Transmission: D, NI, DUK, LNT, WEC, AVA, EXC, SRE

**For Guggenheim's NDR schedule, please scroll down****What's New?****D** – Millstone negotiations conclude, inks 10yr agreement**NI** – NIPSCO rate case rebuttal testimony filed**D** – VEPCO rate case rider B docket activity**DUK** – Investigation initiated by former LA Attorney General**NI** – Lawmakers in MA seeking more info on explosions**LNT/WEC** – Developer plans 200MW solar farm with potential battery storage in WI**AVA** – Avista files in Oregon to increase natural gas base rates**LNT** – Consumer Advocate responds in IPL rate case docket**EXC** – Additional data filings made by company in Pepco MD rate case**SRE** – Mexico moves to consolidate CFE's generation subsidiaries**D – Millstone negotiations conclude, inks 10yr agreement**

- Connecticut Governor Ned Lamont [announced](#) that a 10 year agreement has been reached to keep open Millstone nuclear power plants
- The agreement now heads to the Public Utilities Regulatory Authority for review. This process is expected to take six months.
- The contract price is not public and no returns have been disclosed.
- We caught up with D who noted that the contract is above the current market forward and adequately compensates shareholders for operational risk but is lower than its original bid price.
- The contract is for energy and environmental attributes and will not impact capacity revenues.

**Guggenheim takeaway:** The news is a net positive for D shareholders – while the contract price is not public and no terms have been disclosed, we can certainly surmise the deal was struck somewhere between the original bid (i.e. prior DEEP/Gov proposal) and ask (i.e. 17-18% returns). Overall, the results are incremental to the current guide, but more importantly it gives them some level of contract and cash flow certainty on a good portion of MWs (~9mm MWs) and materially de-risks the overall enterprise. While ROE for the contracts weren't disclosed like in NY and IL, they were sufficient for D to continue to operate the asset – i.e. on a risk-adjusted basis likely exceeding distribution asset returns so north of 12% to compensate for risk with dealing with a merchant nuclear asset. Obviously D nor anyone wants to talk about ROEs under a contract as we're speaking about them here especially in a region that thinks in returns on a high single digit basis and for assets that are mainly for wires, not generation – former less risky. This announcement is very consistent with our call on Friday with our policy contact (see our note [HERE](#)) in that: (1) we expected a deal to be announced imminently, (2) the returns, on a risk adjusted basis, would be adequate to run the asset for the next decade – likely higher than high single

*digit distribution/transmission returns approved within the region and (3) whatever deal that was struck should support and be somewhat incremental to the current guide which only assumed the forward curves. This was one battle won, now we move on to ACP.*

#### **NI – NIPSCO rate case rebuttal testimony filed**

- Rebuttal testimony was filed on the NIPSCO rate case
- The docket for the NIPSCO rate case can be found [HERE](#).

*Guggenheim takeaway: For your awareness.*

#### **D – VEPCO rate case rider B docket activity**

- VEPCO's docket activity shows that its rider B is now effective.
- The docket for VEPCO's rider B case can be found [HERE](#).

*Guggenheim takeaway: Inline.*

#### **DUK – Investigation initiated by former LA Attorney General**

- An investigation was initiated by the former Louisiana Attorney General into the officers and directors of DUK.
- The investigation is into breach of fiduciary duties to DUK shareholders regarding a \$10mm fine from FERC for a number of safety and cyber security violations.

*Guggenheim takeaway: Noise, typical shareholder lawsuit likely not material.*

#### **NI – Lawmakers in MA seeking more info on explosions**

- Some MA lawmakers are [seeking](#) additional information from NI regarding the Merrimack gas explosions
- US senators Elizabeth Warren and Ed Markey and Representatives Seth Moulton and Lori Trahan sent a letter to Columbia Gas asking for additional information on the claims process.
- As of March 7<sup>th</sup>, Columbia Gas said they received 24,878 claims – 24,049 have been closed and they have paid out \$94.8mm.

*Guggenheim takeaway: We are looking into this and will follow developments as news breaks. Right now seems only like informational requests and checking up on the claims for victims. But we expected noise like this especially considering Warren is seeking a potential bid for the Oval Office.*

#### **LNT/WEC – Developer plans 200MW solar farm with potential battery storage in WI**

- Invenergy is [reportedly](#) exploring the development a 1,400 acre, 200MW solar farm in Kenosha County Wisconsin that may also feature 50MW of battery storage

*Guggenheim takeaway: Interesting report, and not a huge surprise given the state's existing appetite for solar, which we expect to only grow as policymakers appear poised to consider an expansion of the state's RPS. The project would be very similar to the Badger Hollow solar farm Invenergy is currently building for WEC and another partner, and fits in with the characteristics of recent infrastructure investments by WEC. We recently took WEC management on the road – see our note [HERE](#).*

#### **AVA – Avista files in Oregon to increase natural gas base rates**

- The company is seeking a revenue increase of \$6.7mm, supported by a 50% equity ratio and 9.9% ROE

*Guggenheim takeaway: As expected as the company seeks to recover costs following an 18 month M&A-driven lag. For more see our recent earnings note [HERE](#).*

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**LNT – Consumer Advocate responds in IPL rate case docket**

- The Office of Consumer Advocate has responded to IPL's own response by again asking the IUB to reduce 'unsubstantiated' interim rates
- Docket available [HERE](#)

***Guggenheim takeaway:** The continuation of a back-and-forth between the two and not a major point of concern for us at this time.*

**EXC – Additional data filings made by company in Pepco MD rate case**

- The company has filed additional data points on its revenue requirement
- Docket available [HERE](#)

***Guggenheim takeaway:** Data updates – provided for your awareness. The ask is a part of EXC's ongoing efforts to improve ROEs at the PHI utilities. For more, see our recent NDR note [HERE](#).*

**SRE – Mexico moves to consolidate CFE's generation subsidiaries**

- The six generation subsidiaries of CFE will be combined into a single entity to better position them for the ongoing reforms to the country's power market, however S&P Global Platts notes that some parties are concerned the move may raise power prices and lay the groundwork for future SENER interventions

***Guggenheim takeaway:** For your awareness, and more post-AMLO news.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 18, 2019

## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Friday, March 15, 2019

Price as of Close		Friday, March 15, 2019		Guggenheim												Consensus								
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AEP	American Electric Power	41.3	Neutral	\$78	\$83.81	3.3%	62%	493	4.17	4.44	4.71	4.93	20.1	18.9	17.8	17.0	4.13	4.40	4.67	5.00	20.3	19.0	17.9	16.8
ALE	ALLETE	4.3	Neutral	\$74	\$83.43	3.1%	64%	52	3.65	4.01	4.21	4.29	22.9	20.8	19.8	19.4	3.58	3.85	4.12	4.46	23.3	21.6	20.2	18.7
AVA	Avista*	2.7	Neutral	\$38	\$41.45	3.9%	80%	66	1.89	2.05	2.23	2.41	21.9	20.2	18.6	17.2	2.04	2.15	2.38	2.45	20.3	19.3	17.4	16.9
CMS	CMS Energy	15.7	Neutral	\$53	\$55.53	2.9%	61%	283	2.50	2.69	2.88	3.08	22.2	20.6	19.3	18.0	2.50	2.68	2.87	3.07	22.2	20.7	19.3	18.1
DUK	Duke Energy	65.9	Buy	\$94	\$90.65	4.3%	75%	727	5.00	5.26	5.57	5.91	18.1	17.2	16.3	15.3	4.96	5.23	5.47	5.86	18.3	17.3	16.6	15.5
ED	Consolidated Edison	27.2	Neutral	\$82	\$84.84	3.6%	66%	321	4.36	4.60	4.75	4.92	19.5	18.4	17.9	17.2	4.33	4.56	4.76	4.90	19.6	18.6	17.8	17.3
EIX	Edison International*	20.8	Buy	\$69	\$63.92	4.3%	56%	326	4.58	4.90	5.34	5.72	14.0	13.0	12.0	11.2	4.50	4.76	4.99	5.34	14.2	13.4	12.8	12.0
ES	Eversource Energy	22.7	Neutral	\$72	\$71.73	3.2%	62%	317	3.49	3.68	3.86	4.05	20.6	19.5	18.6	17.7	3.47	3.69	3.88	4.13	20.7	19.5	18.5	17.4
ETR	Entergy	17.9	Buy	\$96	\$94.66	4.0%	69%	190	5.30	5.53	5.91	6.31	17.9	17.1	16.0	15.0	5.49	5.58	5.85	6.16	17.2	17.0	16.2	15.4
EVRG	Evergy	14.7	Buy	\$61	\$57.67	3.6%	67%	255	2.93	3.14	3.32	3.52	19.7	18.4	17.4	16.4	2.89	3.17	3.31	3.52	19.9	18.2	17.4	16.4
FE	FirstEnergy	21.9	Buy	\$46	\$41.23	3.8%	63%	530	2.56	2.51	2.66	2.81	16.1	16.4	15.5	14.7	2.56	2.50	2.62	2.77	16.1	16.5	15.7	14.9
LNT	Alliant Energy	11.2	Neutral	\$41	\$47.40	3.2%	63%	236	2.24	2.37	2.50	2.69	21.2	20.0	19.0	17.6	2.25	2.40	2.53	2.68	21.0	19.8	18.7	17.7
PNW	Pinnacle West	10.8	Neutral	\$89	\$96.15	3.3%	63%	112	4.84	5.04	5.28	5.63	19.9	19.1	18.2	17.1	4.86	5.07	5.34	5.51	19.8	19.0	18.0	17.5
POR	Portland General Electric	4.7	Neutral	\$44	\$52.34	3.1%	63%	89	2.43	2.54	2.68	2.75	21.5	20.6	19.5	19.0	2.45	2.57	2.70	2.75	21.4	20.4	19.4	19.0
PPL	PPL Corporation	23.6	Neutral	\$29	\$32.74	5.6%	71%	721	2.44	2.58	2.74	2.85	13.4	12.7	11.9	11.5	2.44	2.55	2.56	2.85	13.4	12.9	12.8	11.5
SO	Southern Company	53.7	Neutral	\$44	\$51.86	4.9%	81%	1035	3.05	3.15	3.31	3.46	17.0	16.5	15.7	15.0	3.03	3.13	3.25	3.46	17.1	16.6	16.0	15.0
WEC	WEC Energy	24.9	Buy	\$76	\$78.88	3.2%	67%	315	3.50	3.73	3.98	4.26	22.5	21.1	19.8	18.5	3.52	3.74	3.97	4.24	22.4	21.1	19.9	18.6
*Average (Excl. EIX, PPL for P/E)						3.5%	63%						20.1	19.0	18.0	17.0					20.0	19.0	17.9	17.0
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NI	NiSource	10.4	Buy	\$29	\$27.89	2.9%	61%	372	1.32	1.37	1.47	1.58	21.1	20.4	19.0	17.7	1.31	1.39	1.47	1.58	21.3	20.0	18.9	17.7
NJR	New Jersey Resources	4.4	Sell	\$39	\$49.85	2.4%	60%	89	1.99	2.19	2.36	2.54	25.1	22.8	21.1	19.6	2.10	2.25	2.32	2.54	23.7	22.1	21.5	19.6
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.51	2.9%	86%	29	2.21	2.58	2.68	2.74	29.2	25.0	24.1	23.5	2.32	2.53	2.61	2.71	27.8	25.5	24.7	23.8
SR	Spire	4.1	Neutral	\$77	\$80.26	3.0%	64%	51	3.74	3.89	4.01	4.28	21.5	20.6	20.0	18.8	3.74	3.87	3.98	4.30	21.5	20.7	20.2	18.7
Average						3.0%	68%						24.2	22.2	21.0	19.9					23.6	22.1	21.3	19.9
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
EXC	Exelon	48.5	Buy	\$53	\$50.00	2.9%	45%	970	3.16	3.25	3.17	3.21	15.8	15.4	15.8	15.6	3.15	3.17	3.15	3.36	15.9	15.8	15.9	14.9
PEG	PSEG	30.2	Buy	\$62	\$59.73	3.2%	58%	505	3.25	3.60	3.70	3.87	18.4	16.6	16.1	15.4	3.25	3.54	3.65	3.88	18.4	16.9	16.4	15.4
Average						3.0%	52%						17.1	16.0	16.0	15.5					17.1	16.3	16.1	15.1
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.7	Buy	\$51	\$41.97	0.3%	0%	279	1,975	1,858	1,900	1,936	8.8	9.0	8.5	8.4	1,960	1,888	1,827	1,936	8.6	8.7	8.7	NA
VST	Vistra Energy	12.4	Buy	\$39	\$25.59	2.0%	0%	486	3,367	3,472	3,612	3,770	7.0	6.6	6.2	5.7	3,366	3,355	3,185	3,733	6.6	6.4	6.2	NA
Average													7.9	7.8	7.4	7.1					7.6	7.6	7.5	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.4	Buy	\$33	\$30.81	3.8%	69%	501	1.70	1.89	2.02	2.13	18.1	16.3	15.3	14.5	1.67	1.82	1.94	2.13	18.4	16.9	15.9	14.5
D	Dominion	62.3	Buy	\$82	\$77.04	4.7%	86%	808	4.24	4.44	4.68	4.92	18.2	17.4	16.5	15.7	4.21	4.41	4.65	4.94	18.3	17.5	16.6	15.6
DTE	DTE Energy	22.7	Buy	\$127	\$123.98	3.0%	60%	183	6.26	6.72	7.21	7.63	19.8	18.4	17.2	16.2	6.24	6.58	7.04	7.52	19.9	18.8	17.6	16.5
NEE	NextEra	91.4	Buy	\$205	\$191.24	2.6%	58%	478	8.63	9.19	9.91	10.52	22.2	20.8	19.3	18.2	8.40	9.07	9.76	10.49	22.8	21.1	19.6	18.2
OGE	OGE Energy	8.6	Neutral	\$41	\$43.11	3.5%	70%	200	2.14	2.30	2.41	2.51	20.1	18.7	17.9	17.2	2.15	2.31	2.43	2.51	20.1	18.7	17.8	17.2
SRE	Sempra Energy	34.2	Buy	\$133	\$124.62	3.1%	64%	274	6.10	7.26	7.66	7.96	20.4	17.2	16.3	15.7	6.00	7.11	7.71	7.96	20.8	17.5	16.2	15.7
Average						3.4%	68%						19.8	18.1	17.1	16.2					20.0	18.4	17.3	16.3
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AWK	American Water Works	19.1	Neutral	\$96	\$105.81	1.8%	54%	181	3.61	3.96	4.27	4.60	29.3	26.7	24.8	23.0	3.59	3.89	4.23	4.66	29.4	27.2	25.0	22.7
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.2	Neutral	\$11	\$14.72	5.4%	NA	183	1,026	1,056	1,063	1,076	9.0	9.1	9.0	9.3	993	1,060	1,090	NA	8.4	7.9	7.3	-
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$46.13	4.4%	NA	56	1,393	1,560	1,811	1,981	7.8	7.4	6.9	0.0	1,148	1,287	1,481	1,981	9.5	9.0	8.4	NA

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

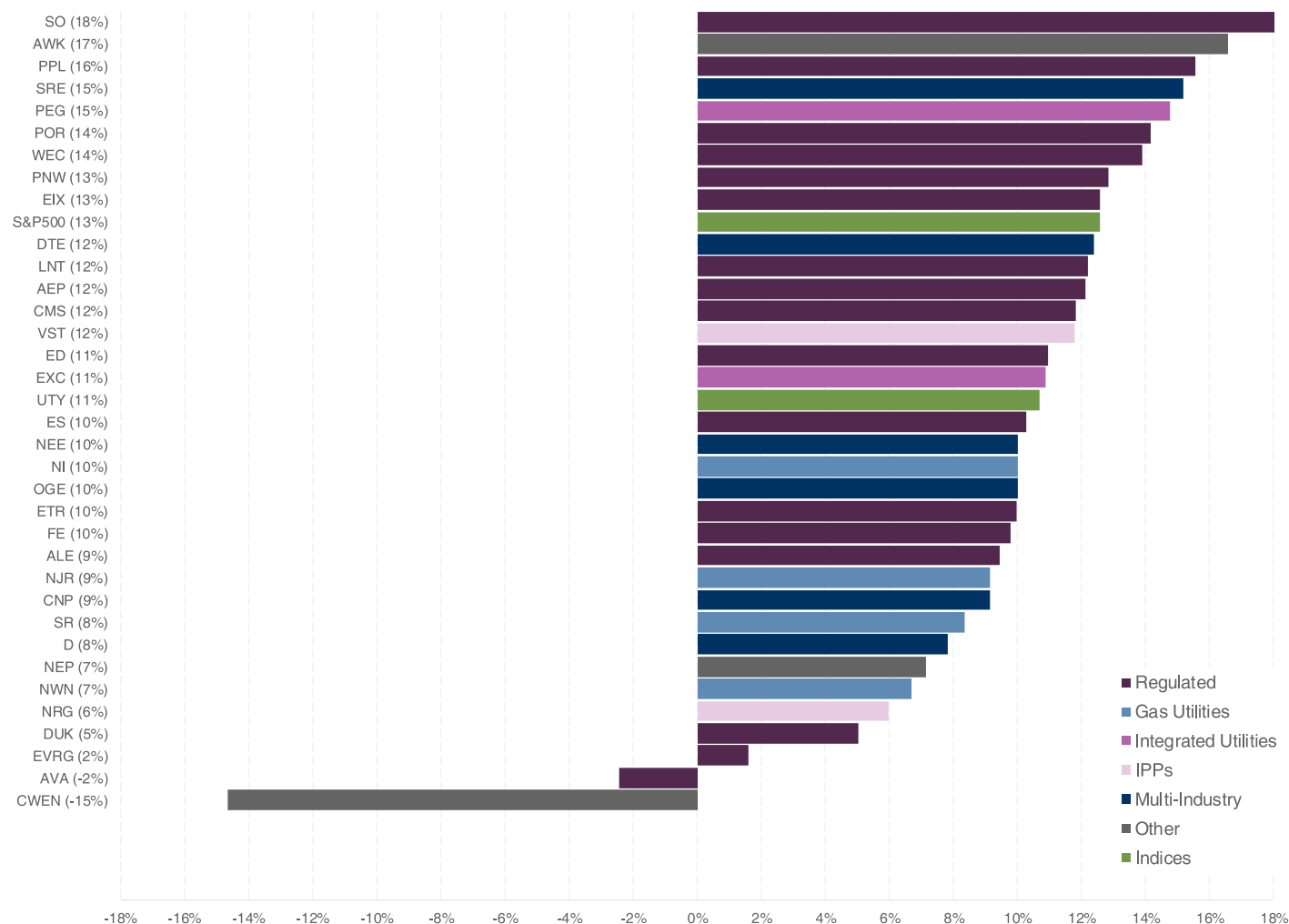
Source: Bloomberg, Guggenheim Securities, LLC estimates.

POWER, UTILITIES & ALTERNATIVE ENERGY

March 18, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
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- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 18, 2019

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	TBD	SJI	9/5	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 18, 2019

## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/19	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for pre-trial motions
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due
04/30	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Statements of Position Due
05/01	PJM	Capacity Market				Planning parameters released
May to August	EIX	Risk Assesment	SCE	CA	I1811006	SCE incorporates RAMP results into its GRC

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

### Key Company Research

1. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
2. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
3. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
4. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
5. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
6. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
7. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
8. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
9. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
10. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
24. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
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28. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
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30. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
31. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
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34. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
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## EXELON CORP.

EXC | \$49.62

**Outperform | TARGET PRICE: \$50.50**

Company Update

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### Company Statistics

Market Capitalization (M)	\$46,146
Shares Outstanding (M)	967
Dividend	1.45
Dividend Yield	3.0%
Payout Ratio	46.0%
Expected Total Return	8.9%
Fiscal Year End	Dec

### Earnings Summary

	2019E	2020E	2021E
EPS	\$3.15	\$3.15	\$3.15
P/E	15.2	15.2	15.2
EPS vs Consensus	(0.8)%	(1.7)%	(0.9)%
Consensus EPS	\$3.17	\$3.20	\$3.17
Consensus P/E	15.0	14.9	15.0

### 1 Year Price History



Source: FactSet

## HB2861 Would Have IL Procure Clean Generation Capacity Outside of The PJM Capacity Market

**This would increase the probability of EXC getting capacity payments for its entire IL nuclear fleet, which could reduce revenue opportunities for NRG and VST in the ComEd zone.**

**IL Legislation proposes a framework to procure clean capacity for Illinois utilities in PJM.** On March 14, 2019, Rep. Lawrence Walsh proposed an amendment to the House Bill 2861, The Clean Energy Progress Act ([HB2861](#)) aims at addressing potential changes related to PJM capacity revenue and support existing clean energy resources, including zero emissions nuclear generators while including customer protection clauses and purporting to save cost for ratepayers. The bill would allow IL utilities in PJM to procure clean energy capacity from June 1, 2023 through May 31, 2033 through the Illinois Power Authority (IPA). EXC is supporting the bill along with the city of Chicago and the Byron Chamber of Commerce, and other environmental organizations.

**What does the IL situation mean?** This legislative agenda might facilitate EXC securing capacity payments for its entire ~10GW ComEd nuclear fleet directly from the state of Illinois (with the Illinois Power Authority as the procurement agent) by taking the ComEd zone of PJM out of the PJM capacity market under a zonal FRR construct while the ComEd zone would continue to participate in the PJM energy market. That IL legislation, if approved, would probably not need FERC or PJM approval. If IL chooses this path, we think annual EBITDA uplift for EXC might be more than ~\$300m (~\$0.27 to EPS) because in the last PJM capacity auction '21/'22 EXC only cleared ~52% of its 10GW of ComEd nuclear generation while NRG and VST cleared their nonnuclear plants in that zone. Without incremental revenue for the portion of their IL nuclear fleet that did not clear the last auction (~5GW for Dresden, Byron, Braidwood), EXC has said that those units face economic uncertainty that could put them at risk of shutdown. Please see more details of our analysis of the financial scenarios [here](#).

**What's next?** The IL legislative session runs through May 31, 2019. One way or another, in our view, the probability of EXC getting better compensated for its entire IL nuclear has increased because: 1) The Clean Energy Progress Act lays out a construct to procure clean capacity in line with IL state goals/aspirations for becoming carbon free that would remove the ComEd zone from the PJM capacity market and very likely compensate EXC for its entire fleet; 2) This puts pressure on FERC to take into consideration IL's push to procure its own capacity and issue a ruling that defers to individual state environmental goals and mandates in order to keep them in the capacity market, which means a higher probability that they include the FRR-A alternative in their pending PJM capacity market decision.

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**Details on The Clean Energy Progress Act are scarce, however it reminds us of the FERC's FRR-A proposal.** Back in December of '18, we said the FERC's FRR-A proposal could result in ~\$340m of revenue uplift for EXC and would likely reduce NRG / VST's revenues by ~\$220m / ~\$130m, respectively. In our view, the IL bill if passed as currently structured will result in an outcome that is very similar to FERC's FRR-A proposal, since EXC would be able to take its entire IL nuclear capacity out of the PJM Base Residual Auction and secure payments for the next 10 years through IPA. The bill calls for a cap on the total costs for procured capacity and energy. It states that the total price for capacity and energy in '23 should be less than the capacity plus energy price for the ComEd service territory in '18, which we calculate to be around ~\$40/MWh (\$31/MWh energy + \$9/MWh capacity). The bill doesn't clearly state an estimated cost of the procurement program, rather it provides guidelines below. The bill does say that the clean energy procurement program has to be cost accretive to customers in year one.

- Nuclear subsidized resources – will receive the PJM Base Residual Auction price through '27, and then will receive *the weighted average price of selected bundled clean capacity offers in the procurement period* for the delivery year beginning '23
- Renewable subsidized resources – will receive the PJM Base Residual Auction price
- Nuclear unsubsidized resources - will receive the *resource's offer price*

In last PJM Base Residual Auction, EXC cleared ~5.2GW out of its ~10GW total IL nuclear capacity for '21/'22 delivery year at \$195.5/MW-d securing ~\$370m of capacity payments. Our simplistic analysis assumes that under the new legislation EXC would be able to secure capacity payments for its entire IL nuclear fleet (except Clinton that participates in MISO auction) at last capacity auction price of \$196/MW-d, which would result in incremental capacity payment increase of ~\$340m (or ~\$0.27/share on an EPS basis). In their recent 10-k, EXC stated that Dresden, Byron, and Braidwood IL nuclear plants are facing economic challenges, given the fact these plants didn't clear some portion of their capacity at the last PJM auction. Hence, we need to be clear that incremental revenue beyond just NIHUB energy prices is probably necessary beyond 2022 to make those units profitable—the NIHUB ATC price is only \$22/MWh right now out the curve in '23 which is below the system average cost of running EXC's nuke fleet at \$29/MWh—and in the alternative those money-losing units might be slated for closure.

#### Exhibit 1

#### Potential Upside Related to IL Capacity Procurement Bill

Capacity Revenue	Units	Status Quo	SB2861	Change
Cleared Capacity	MW	5,175	9,941	4,766
Price	\$/MW-d	196	196	0
Capacity Revenue	\$mm	369	710	340
<b>EPS Impact</b>	<b>\$/share</b>	<b>\$0.30</b>	<b>\$0.57</b>	<b>\$0.27</b>

Source: Evercore ISI Research

**The Cash flow profile at ExGen is a differentiating value driver through '22.** The net income/EPS forecast for both the utilities and ExGen is supported by the fact that ExGen should generate \$7.8B of cash through '22. This cash flow supports the utility investments with no equity issuance, the dividend growing at 5% and \$2.5B of debt paydown. We model \$1.5B of debt reduction at ExGen and \$1.0B at parent. ExGen remains at sub ~3X debt/EBITDA through the forecast period. Exhibit 2 below shows our sum-of-the-parts EPS forecast. Beyond '22 the outlook—especially in IL—will depend on whether IL legislation passes and/or the pending FERC decision on PJM capacity market reforms.

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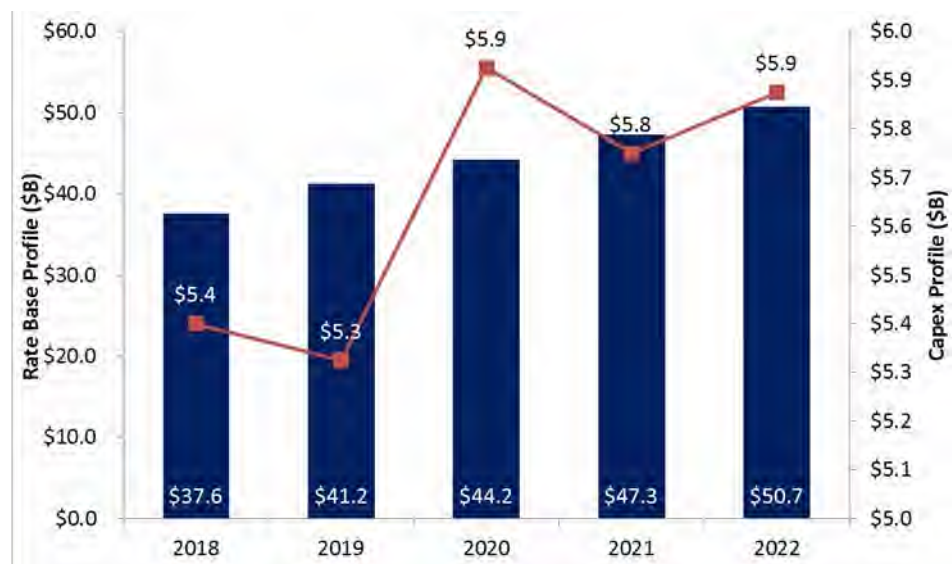
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*Exhibit 2***Consolidated EPS Profile**

EPS SOTP	Units	2018	2019	2020	2021
ExGen	\$/share	\$1.39	\$1.24	\$1.10	\$0.96
Utilities	\$/share	1.91	2.11	2.25	2.35
Parent / Other	\$/share	(0.18)	(0.19)	(0.19)	(0.17)
<b>Consolidated EPS</b>	<b>\$/share</b>	<b>\$3.12</b>	<b>\$3.15</b>	<b>\$3.15</b>	<b>\$3.15</b>

Source: Evercore ISI Research

**EXC initiated a FY'19 consolidated EPS guidance range of \$3.00 - \$3.30 (\$3.15 at the midpoint) versus consensus at \$3.17.** The long-term Utility EPS growth outlook was maintained at 6-8%. Management rolled out an updated 4-year capital program for '19-'22 to \$23B from \$21B for the '18-'21 time period. The rate base will grow to \$50.7B by 2022 from \$37.6B in 2018, an annual growth rate of 7.8% vs. previously expected CAGR of 7.4%.

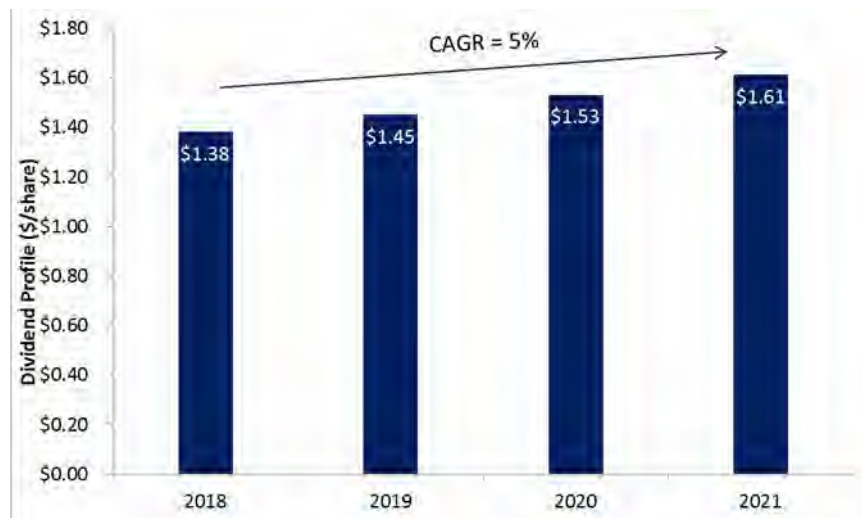
*Exhibit 3***Rate Base and Capex Profile**

Source: Evercore ISI Research, Company presentation

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**EXC has committed to grow the dividend 5% annually through at least 2020**, which is eminently manageable given their cash flow outlook and the strength of the balance sheet. EXC is rated Baa2 with a Stable outlook at Moody's, but is rated BBB- with a Positive outlook at S&P. Dividend profile is shown in the chart below.

*Exhibit 4***Dividend Profile**

Source: Evercore ISI Research

**What is the upside potential for EXC's earnings power?** At ExGen the current EPS trajectory as shown in Exhibit 1 isn't pretty, but we think that is biased to the upside as the forward power curve is backwardated and not liquid, with ExGen staying behind ratable hedging to capture that upside as we move to spot. In addition, the upside from IL legislation / favorable capacity market reform could translate to ~\$344m of annual EBITDA uplift--\$0.27 of EPS--and a minimum of +/- \$2/share of value. That assumes EXC only gets 6.5X EBITDA on those cash flow, which is a conservative assumption because if IL passes the above-mentioned legislation and/or FERC allows EXC to pursue the FRR-A construct, EXC would work with the IL state government to remove some of its plants from PJM's capacity market and drive revenue stability that is multiple enhancing.

PJM energy price reforms could also over time add >\$0.35/share to EXC earnings power if ever fully enacted (assuming \$3 - \$4/MWh of power price upside). The pace of progress on those has, however, been significantly slower than we had hoped. For our most recent review of the status of those reforms see note [here](#).

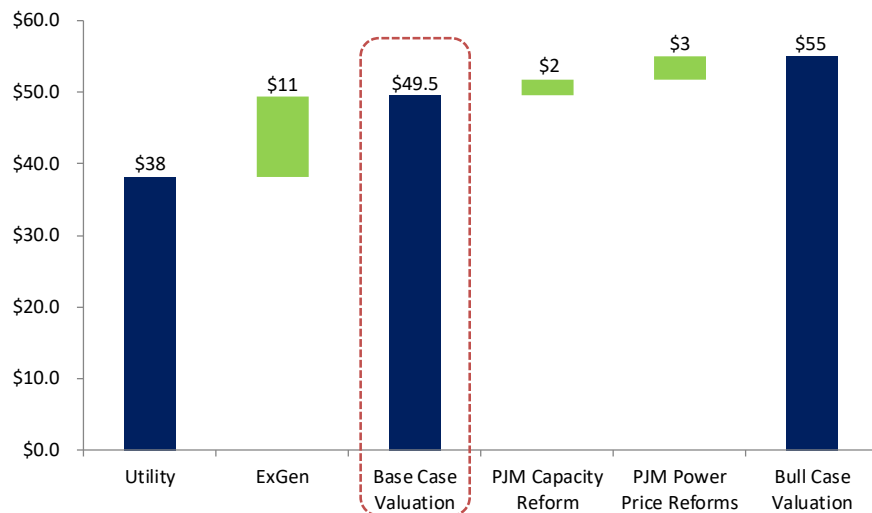
If we assume that EXC ultimately benefits from capacity reform and some or all of the PJM price reform upside, earnings power could theoretically rise from \$3.15/share in '21 on the current outlook to \$3.80/share in FY '23.

From valuation perspective, PJM Capacity Market reform could add ~\$2/share of value using a conservative valuation multiple, while PJM price reforms might be worth additional ~\$3/share of value. That could drive value up to ~\$55/share from our base case of ~\$49.50, as shown in Exhibit 4 below.

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Exhibit 4

**EXC Valuation – Base Case & Upside Opportunities**

Earnings *	\$2.18	\$2,700	\$3.15	\$344	\$473	
Multiple **	17.5x	6.5x	15.7x	6.5x	6.5x	
Value (\$/share)	\$38	\$11	\$49.5	\$2	\$3	\$55

Source: Evercore ISI Research

\*Utility earnings represent our '21 estimate for utility + parent. For ExGen, it represents '21 EBITDA estimate

\*\*For utility, we apply PE multiple, while for ExGen we use EV/EBITDA multiple

**Our 12-month price target is \$50.50 and we maintain our Outperform rating.** When we build up our fundamental target price we use a 17.5X multiple on expected regulated EPS in '21, a ~3% premium to our average regulated utility target P/E for '21 of +/-17.0X. We do so to capture the value associated with the 9.5% expected EPS growth from '21-'22 that Exelon is currently forecasting. Next, we use a 6.5X '21 EBITDA multiple for ExGen and assume \$1.5bn of debt reduction there through YE '21. Before any upside from PJM capacity or energy market reforms, fair fundamental value would be \$49.5/share (that equates to a ~10.3% FCF to EV for ExGen in '21). But we add \$1/share of value to our base case value to get to our total TP of \$50.50 taking into account possibility of ExGen upsides becoming visible in the next 12 months. Passage of IL legislation / PJM capacity price reform, if it results in FRR treatment for nuclear plants, might not only be accretive to earnings or cash flow but could also drive revenue stability that is multiple enhancing that is not contemplated in our current target. At our 12-month target price of \$50.50/share, ExGen's FCF yield would be ~11.2%.

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*Exhibit 5***EXC SOTP Valuation – Base Case**

<b>EXC - SOTP Valuation</b>	<b>Units</b>	<b>2021</b>
Share Count	mm	981
Utility EPS	\$/share	\$2.18
Multiple	x	17.5x
<b>Utility Value</b>	<b>\$/share</b>	<b>\$38.2</b>
ExGen EBITDA	\$mm	\$2,700
Multiple	x	6.5x
Enterprise Value	\$mm	\$17,547
Net Debt	\$mm	\$6,550
ExGen Value	\$mm	\$10,997
<b>ExGen Value</b>	<b>\$/share</b>	<b>\$11.2</b>
<b>Total Value No Upsides</b>	<b>\$/share</b>	<b>\$49.5</b>
Unlevered FCF	\$mm	\$1,807
Unlevered FCF to EV	%	10.3%
Net Debt to EBITDA	x	2.4x

Source: Evercore ISI Research

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**VALUATION METHODOLOGY**

Our valuation is based on a sum of the parts analysis. We use a P/E multiple on the utility and an EBITDA multiple for the merchant power business.

**RISKS**

Higher or lower power / capacity prices and favorable / unfavorable outcomes in regulatory proceedings would cause our valuation to be either higher or lower. Higher interest rates would pull utility earnings up in IL but pressure multiples so the net impact would likely be negative overall. A favorable outcome in the upcoming capacity auctions would be accretive but a significantly lower capacity auction price would be negative.

**COMPANIES UNDER COVERAGE BY AUTHOR**

Symbol	Company	Rating	Price (2019-15-03)	Evercore ISI Target
AEE	Ameren Corp.	In Line	\$72.61	\$68.00
AEP	American Electric Power	In Line	\$82.98	\$78.00
AES	The AES Corporation	Outperform	\$18.18	\$18.50
AGR	Avangrid Inc	In Line	\$49.43	\$51.50
CMS	CMS Energy Corp.	Outperform	\$55.15	\$54.00
CNP	CenterPoint Energy, Inc.	In Line	\$30.41	\$28.00
CWEN	Clearway Energy	In Line	\$14.69	\$16.00
D	Dominion Energy, Inc	In Line	\$76.64	\$73.00
DTE	DTE Energy Co.	In Line	\$124.38	\$117.00
DUK	Duke Energy Corp.	In Line	\$90.36	\$82.00
ED	Consolidated Edison Inc.	Underperform	\$84.98	\$76.50
EIX	Edison International	In Line	\$64.05	\$68.50
ES	Eversource Energy	In Line	\$70.92	\$70.50
ETR	Entergy Corp.	In Line	\$94.94	\$95.50
EVRG	Evergy	Outperform	\$57.12	\$58.00
EXC	Exelon Corp.	Outperform	\$49.62	\$50.50
FCFE18-MX	CFE Capital S. de R.L. de C.V.	Outperform	MXN17.27	MXN19.00
FE	FirstEnergy Corp.	Outperform	\$41.21	\$44.00
HE	Hawaiian Electric Industries Inc.	Underperform	\$40.26	\$35.50
NEE	NextEra Energy Inc	Outperform	\$190.98	\$191.00
NI	NiSource Inc	In Line	\$27.87	\$27.00
NRG	NRG Energy Inc.	Outperform	\$41.86	\$48.50
OGE	OGE Energy Corp	In Line	\$42.83	\$40.00
PCG	PG&E Corp.	In Line	\$19.51	\$21.00
PEG	Public Service Enterprise Group	Outperform	\$59.64	\$61.00
PNM	PNM Resources, Inc	In Line	\$46.53	\$43.00
PNW	Pinnacle West Capital Corp.	In Line	\$95.15	\$93.00
PPL	PPL Corp.	In Line	\$32.59	\$30.50
SO	Southern Co.	In Line	\$51.53	\$52.00
SRE	Sempra Energy	Outperform	\$124.45	\$130.00
VST	Vistra Energy Corp	Outperform	\$25.55	\$35.50
WEC	WEC Energy Group, Inc.	In Line	\$77.62	\$71.00
XEL	Xcel Energy Inc.	In Line	\$56.16	\$53.00

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**TIMESTAMP****(Article 3(1)e and Article 7 of MAR)**

Time of dissemination: March 17 2019 09:01

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Buy- Return 10% to 20%

Neutral - Return 0% to 10%

Cautious- Return -10% to 0%

Sell- Return &lt; -10%

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Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.

Underweight- the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.

Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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**Evercore ISI rating (as of 03/17/2019)****Coverage Universe**

Ratings			Investment Banking Services   Past 12 Months		
Ratings	Count	Pct.	Ratings	Count	Pct.
Buy	370	52	Buy	247	67
Hold	279	39	Hold	139	50
Sell	39	5	Sell	18	46
Coverage Suspended	18	3	Coverage Suspended	13	72
Rating Suspended	8	1	Rating Suspended	5	63

**Issuer-Specific Disclosures (as of March 17, 2019)**

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## Price Charts

Exelon Corp. Rating History as of 03/15/2019



## Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

March 15, 2019

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Ticker	Price	Rating
AEP	82.98	Neutral
ALE	82.77	Neutral
D	76.64	Buy
DUK	90.36	Buy
ED	84.98	Neutral
EXC	49.62	Buy
OGE	42.83	Neutral

## The Guggenheim Daily Transmission: D, ED, California, AEP, DUK, EXC, ALE, PJM, MISO, Policy, FERC

**For Guggenheim's NDR schedule, please scroll down**

### What's New?

**D: Guggenheim Policy Speaker, Millstone Discussion | Connecticut Un-Quarked: They Will Likely Get It Done, We Are Holding Our Breath (see note [HERE](#))**

**ED – O&R rate case settlement approved**

**California – CPUC initiates proceeding to expand direct access**

**AEP – OCC unanimously approves settlement for PSO rate case**

**DUK – Greenville customers voice concerns about potential rate increase at public hearing**

**AEP – AEP Texas asks PUCT to approve \$229mm securitization for Hurricane Harvey costs**

**D – Virginia Governor vetoes bill restricting cap and trade programs**

**EXC – BPU Authorizes \$70mm rate increase in ACE base rate case**

**ALE – MN utilities express concern over 100% clean/renewable standard**

**PJM – IMM releases 2018 State of the Market Report**

**PJM – RTO lists instructions for capacity market participants with 'actionable subsidies'**

**MISO/Policy – ND Wind farms reportedly idled by extreme cold in winter 2019**

**FERC – Chatterjee floats opening FERC office in Houston**

### ED – O&R rate case settlement approved

- The NY PSC approved the joint settlement in the O&R rate case.
- The settlement is a multi-year electric and gas plan based on a 9% ROE and 48% equity ratio (no change to prior).

**Guggenheim takeaway:** The settlement was struck in late 2018 and approves energy efficiency program expansion. The approval is in line with our expectations for ED to earn its allowed 9% ROE.

### California – CPUC initiates proceeding to expand direct access

- The California Public Utilities Commission launched a rulemaking to expand the direct-access program and advise state lawmakers on eliminating the current cap on the program.
- The current program allows non-residential customers to bypass their utility to procure energy up to a 24,000 GWh cap, with a 2018 law requiring the CPUC to raise the cap by 4,000 GWh.

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- The growth of direct access could accelerate the departure of fully bundled customers from the investor-owned utilities in California.

**Guggenheim takeaway:** California has been working to balance the interests of consumer choice and ensuring that utilities do not end up with large stranded supply costs due to customer departure in favor of CCAs and direct access. While a Power Charge Indifference Adjustment (PCIA) was approved by the CPUC to make costs equitable, a faster rate of departing customers could still end up costing remaining utility customers and create reliability issues. We will see if the current CPUC remain in place to see this policy through.

#### AEP – OCC unanimously approves settlement for PSO rate case

- The Oklahoma Corporation Commission [announced](#) that it has unanimously approved a settlement for AEP's Public Service Company of Oklahoma (PSO) rate case.
- PSO originally asked for an \$88mm rate increase or a \$7 monthly increase for the average customer.
- The settlement resulted in a \$46mm rate increase translating to \$2.38/monthly increase for the average customer.
- Commission Charmin Dana Murphy said, "The agreement is proof that in Oklahoma, parties with different agendas can reason together in a spirit of cooperation and collaboration with the ultimate goal being a result that benefits all."

**Guggenheim takeaway:** Expected given settlement. Positive for PSO, it shows a new leaf is being turned and potentially a more constructive relationship with the OCC is being fostered similar to peer OG&E (OGE).

#### DUK – Greenville customers voice concerns about potential rate increase at public hearing

- Hundreds of Greenville South Carolina customers voice [concerns](#) about DUK rate increase at a public hearing.
- Local press notes that most of the contention that 500 locals were discussing at a four hour hearing was, "How the utility has proposed it will increase rates: a three-fold increase in its household flat fee."

**Guggenheim takeaway:** For your awareness, we're guessing the bid ask is wide right now with DUK asking for more than what they think they can get – this noise is no surprise to us and DUK usually charts well through all of their regulatory proceedings. No concerns here, in our view.

#### AEP – AEP Texas asks PUCT to approve \$229mm securitization for Hurricane Harvey costs

- AEP Texas filed a [notice](#) asking the Public Utilities Commission of Texas to approve a \$229mm storm cost securitization for damage caused by Hurricane Harvey.

**Guggenheim takeaway:** For your awareness, large storm cost recovery. Fully expected.

#### D – Virginia Governor vetoes bill restricting cap and trade programs

- Virginia Governor Ralph Northam vetoed a bill that would limit his authority to establish a carbon cap and trade program.
- According to the press, Northam "has made implementing the plan a top priority, saying it's needed to fight climate change." State regulators do not appear to be as keen to join RGGI.

**Guggenheim takeaway:** The Governor of Virginia seems very focused on a cap and trade program for the state. This could eventually be supportive of D's recent efforts to expand solar and offshore wind in Virginia. We continue to believe the VA policy can provide potential upside to D.

#### EXC – BPU Authorizes \$70mm rate increase in ACE base rate case

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- The \$70mm [increase](#) comes with a 9.6% ROE on a 49.94% equity layer, vs. the previously authorized 9.7% ROE on 50.47% equity.

**Guggenheim takeaway:** A smaller rate increase than the initial ask, but not a surprise. The rate case is part of EXC's concerted effort to shore up ROEs at the legacy PHJ utilities, with ACE one of the weakest links in an otherwise very successful effort. **We recently hosted EXC management – see our note [HERE](#).**

**EXC – Exelon backs Illinois 100% clean energy effort**

- Exelon has [formally backed](#) the Clean Energy Progress Act introduced by Rep. Larry Walsh Jr. (D-Joliet).

**Guggenheim takeaway:** Zero surprise to us and a major focus of our NDR note released earlier this week – see [HERE](#).

**ALE – MN utilities express concern over 100% clean/renewable standard**

- Minnesota Power, Great River Energy, Minnkota Power Cooperative and Dairyland Power Cooperative have [reportedly taken issue](#) with portions of Governor Walz's proposal to go 100% clean.
- "We have concerns that the use of mandates is not the appropriate way to do policy in the state." - Julie Pierce, Minnesota Power

**Guggenheim takeaway:** Not particularly surprising in light of the cost concerns that have been raised since the target was originally floated, with industrial customers and their representatives particularly concerned. While Republicans control the senate, some sort of clean policy movement is still not out of the question, in our view. Stay tuned...

**PJM – IMM releases 2018 State of the Market Report**

- The market monitor's annual report highlighted that 2018 saw the highest LMPs since 2014, and that gas generation exceeded coal in the RTO for the first time ever.
- The report also details the IMM's assessment of nuclear plants and the competitiveness of the energy and capacity markets.
- Available [HERE](#).

**Guggenheim takeaway:** For your awareness, nothing too surprising, in our view.

**PJM – RTO lists instructions for capacity market participants with 'actionable subsidies'**

- The RTO has released instructions for participants in the upcoming capacity auction slated for August that comport with its 'Resource Carve Out' plan, despite a lack of guidance from FERC.
- Instructions [HERE](#).

**Guggenheim takeaway:** We're still waiting for FERC, and note that per our conversation with the RTO's former chief economist (see [HERE](#)), a delay to the August auction is not entirely out of the question either.

**MISO/Policy – ND wind farms reportedly idled by extreme cold in winter 2019**

- In the last week of January, several wind farms were [reportedly idled](#) amid fears that their fiberglass blades could be damaged in the -20 degree weather.

**Guggenheim takeaway:** Interesting resiliency data point.

**FERC – Chatterjee floats opening FERC office in Houston**

- The Chairman's [comments came](#) at CERAWEEK in Houston as the Commission works through a backlog of LNG applications.

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**Guggenheim takeaway:** *FERC data point. The Commission has been stretched to handle the sheer number of applications for terminals, but we note that many have yet to even reach FID.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Thursday, March 14, 2019

Price as of Close		Thursday, March 14, 2019		Guggenheim										Consensus											
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
AEP	American Electric Power	40.9	Neutral	\$78	\$82.98	3.3%	62%	493	4.17	4.44	4.71	4.93	19.9	18.7	17.6	16.8	4.13	4.40	4.67	5.00	20.1	18.8	17.8	16.6	
ALE	ALLETE	4.3	Neutral	\$74	\$82.77	3.1%	64%	52	3.65	4.01	4.21	4.29	22.7	20.6	19.7	19.3	3.58	3.85	4.12	4.46	23.1	21.5	20.1	18.6	
AVA	Avista*	2.7	Neutral	\$38	\$41.11	4.0%	80%	66	1.89	2.05	2.23	2.41	21.8	20.1	18.4	17.1	2.04	2.15	2.38	2.45	20.2	19.1	17.3	16.8	
CMS	CMS Energy	15.6	Neutral	\$53	\$55.15	3.0%	61%	283	2.50	2.69	2.88	3.08	22.1	20.5	19.1	17.9	2.50	2.68	2.87	3.07	22.1	20.6	19.2	18.0	
DUK	Duke Energy	65.7	Buy	\$94	\$90.36	4.3%	75%	727	5.00	5.26	5.57	5.91	18.1	17.2	16.2	15.3	4.96	5.23	5.46	5.86	18.2	17.3	16.5	15.4	
ED	Consolidated Edison	27.3	Neutral	\$82	\$84.98	3.6%	66%	321	4.36	4.60	4.75	4.92	19.5	18.5	17.9	17.3	4.33	4.56	4.76	4.90	19.6	18.7	17.8	17.4	
EIX	Edison International*	20.9	Buy	\$69	\$64.05	4.2%	56%	326	4.58	4.90	5.34	5.72	14.0	13.1	12.0	11.2	4.50	4.76	4.99	5.34	14.2	13.5	12.8	12.0	
ES	Eversource Energy	22.5	Neutral	\$72	\$70.92	3.2%	62%	317	3.49	3.68	3.86	4.05	20.3	19.3	18.4	17.5	3.47	3.69	3.88	4.13	20.4	19.2	18.3	17.2	
ETR	Entergy	18.0	Buy	\$96	\$94.94	4.0%	69%	190	5.30	5.53	5.91	6.31	17.9	17.2	16.1	15.0	5.49	5.58	5.85	6.16	17.3	17.0	16.2	15.4	
EVRG	Eversgy	14.5	Buy	\$61	\$57.12	3.7%	67%	255	2.93	3.14	3.32	3.52	19.5	18.2	17.2	16.2	2.89	3.17	3.31	3.52	19.7	18.0	17.3	16.3	
FE	FirstEnergy	21.8	Buy	\$46	\$41.21	3.8%	63%	530	2.56	2.51	2.66	2.81	16.1	16.4	15.5	14.7	2.56	2.50	2.62	2.77	16.1	16.5	15.7	14.9	
LNT	Alliant Energy	11.1	Neutral	\$41	\$46.93	3.2%	63%	236	2.24	2.37	2.50	2.69	21.0	19.8	18.8	17.4	2.25	2.40	2.53	2.68	20.8	19.6	18.5	17.5	
PNW	Pinnacle West	10.7	Neutral	\$89	\$95.15	3.3%	63%	112	4.84	5.04	5.28	5.63	19.7	18.9	18.0	16.9	4.86	5.07	5.34	5.51	19.6	18.8	17.8	17.3	
POR	Portland General Electric	4.6	Neutral	\$44	\$51.94	3.1%	63%	89	2.43	2.54	2.68	2.75	21.4	20.4	19.4	18.9	2.45	2.57	2.70	2.75	21.2	20.2	19.2	18.9	
PPL	PPL Corporation	23.5	Neutral	\$29	\$32.59	5.6%	71%	721	2.44	2.58	2.74	2.85	13.4	12.6	11.9	11.4	2.43	2.54	2.55	2.85	13.4	12.8	12.8	11.4	
SO	Southern Company	53.3	Neutral	\$44	\$51.53	4.9%	81%	1035	3.05	3.15	3.31	3.46	16.9	16.4	15.6	14.9	3.03	3.13	3.25	3.46	17.0	16.5	15.9	14.9	
WEC	WEC Energy	24.5	Buy	\$76	\$77.62	3.2%	67%	315	3.50	3.73	3.98	4.26	22.2	20.8	19.5	18.2	3.52	3.74	3.97	4.24	22.1	20.8	19.6	18.3	
*Average (Excl. EIX, PPL for P/E)						3.5%	63%						19.9	18.9	17.8	16.9						19.8	18.8	17.8	16.9
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
NI	NISource	10.4	Buy	\$29	\$27.87	2.9%	61%	372	1.32	1.37	1.47	1.58	21.1	20.3	19.0	17.6	1.31	1.39	1.47	1.58	21.3	20.0	18.9	17.6	
NJR	New Jersey Resources	4.4	Sell	\$39	\$49.72	2.4%	60%	89	1.99	2.19	2.36	2.54	25.0	22.7	21.1	19.6	2.10	2.25	2.32	2.54	23.7	22.1	21.4	19.6	
NWN	NW Natural Gas	1.8	Sell	\$49	\$63.97	3.0%	86%	29	2.21	2.58	2.68	2.74	28.9	24.8	23.9	23.3	2.32	2.53	2.61	2.71	27.5	25.3	24.5	23.6	
SR	Spire	4.1	Neutral	\$77	\$80.03	3.0%	64%	51	3.74	3.89	4.01	4.28	21.4	20.6	20.0	18.7	3.74	3.87	3.98	4.30	21.4	20.7	20.1	18.6	
Average						3.0%	68%						24.1	22.1	21.0	19.8						23.5	22.0	21.2	19.9
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
EXC	Exelon	48.1	Buy	\$53	\$49.62	2.9%	45%	970	3.16	3.25	3.17	3.21	15.7	15.3	15.7	15.5	3.15	3.17	3.15	3.36	15.8	15.6	15.8	14.8	
PEG	PSEG	30.1	Buy	\$62	\$59.64	3.2%	58%	505	3.25	3.60	3.70	3.87	18.4	16.6	16.1	15.4	3.25	3.54	3.65	3.88	18.4	16.9	16.4	15.4	
Average						3.0%	52%						17.0	15.9	15.9	15.4						17.1	16.3	16.1	15.1
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
NRG	NRG Energy	11.8	Buy	\$51	\$41.86	0.3%	0%	281	1,975	1,858	1,900	1,936	8.8	9.1	8.5	8.4	1,960	1,888	1,827	1,936	8.6	8.7	8.7	NA	
VST	Vistra Energy	12.4	Buy	\$39	\$25.55	2.0%	0%	486	3,367	3,472	3,612	3,770	7.0	6.6	6.2	5.7	3,366	3,355	3,185	3,733	6.6	6.4	6.2	NA	
Average									7.9	7.8	7.4	7.1					7.6	7.6	7.5	NA					
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
CNP	CenterPoint	15.2	Buy	\$33	\$30.41	3.8%	69%	501	1.70	1.89	2.02	2.13	17.9	16.1	15.1	14.3	1.67	1.82	1.94	2.13	18.2	16.7	15.7	14.3	
D	Dominion	61.9	Buy	\$82	\$76.64	4.7%	86%	808	4.24	4.44	4.68	4.92	18.1	17.3	16.4	15.6	4.21	4.41	4.65	4.94	18.2	17.4	16.5	15.5	
DTE	DTE Energy	22.6	Buy	\$127	\$124.38	3.0%	60%	182	6.26	6.72	7.21	7.63	19.9	18.5	17.3	16.3	6.24	6.58	7.04	7.52	19.9	18.9	17.7	16.6	
NEE	NextEra	91.3	Buy	\$205	\$190.98	2.6%	58%	478	8.63	9.19	9.91	10.52	22.1	20.8	19.3	18.2	8.40	9.07	9.75	10.49	22.7	21.1	19.6	18.2	
OGE	OGE Energy	8.6	Neutral	\$41	\$42.83	3.5%	70%	200	2.14	2.30	2.41	2.51	20.0	18.6	17.8	17.1	2.15	2.31	2.42	2.51	20.0	18.6	17.7	17.1	
SRE	Sempra Energy	34.1	Buy	\$133	\$124.45	3.1%	64%	274	6.10	7.26	7.66	7.96	20.4	17.1	16.2	15.6	6.00	7.11	7.74	7.96	20.8	17.5	16.1	15.6	
Average						3.4%	68%		19.7	18.1	17.0	16.2					20.0	18.4	17.2	16.2					
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
AWK	American Water Works	19.0	Neutral	\$96	\$104.99	1.9%	54%	181	3.61	3.96	4.27	4.60	29.1	26.5	24.6	22.8	3.59	3.89	4.24	4.66	29.2	27.0	24.8	22.5	
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
CWEN	Cleanway Energy	3.2	Neutral	\$11	\$14.69	5.4%	NA	183	1,026	1,056	1,063	1,076	9.0	9.1	9.0	9.3	993	1,060	1,090	NA	8.4	7.8	7.3	-	
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$46.09	4.4%	NA	56	1,393	1,560	1,811	1,981	7.8	7.4	6.8	0.0	1,148	1,287	1,481	1,981	9.5	9.0	8.4	NA	

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

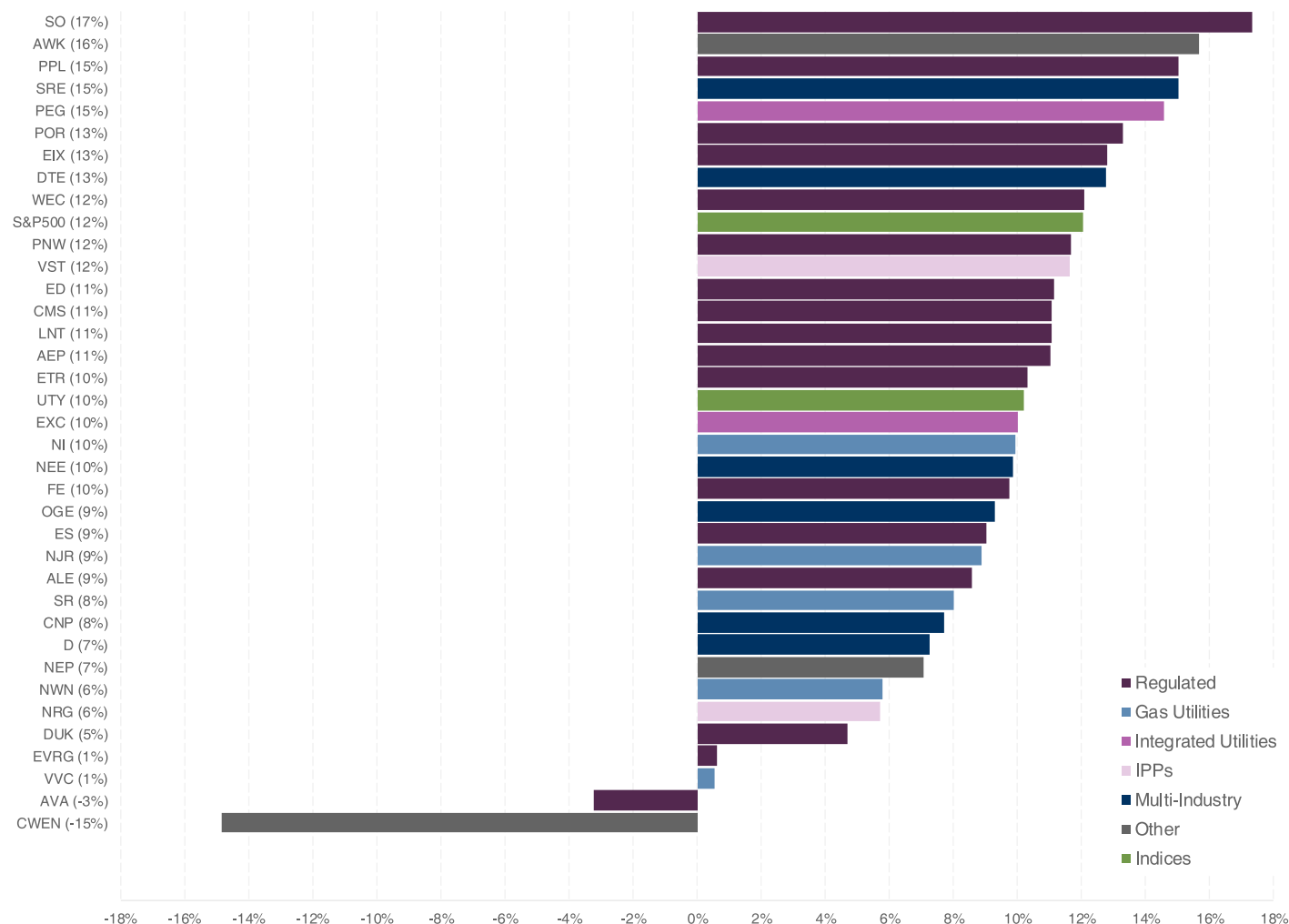
Source: Bloomberg, Guggenheim Securities, LLC estimates.

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## Share Price Performance (Year-to-Date)

### Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

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**Guggenheim 2019 Non Deal Roadshow Schedule**

Ticker	Dates	Regions	Ticker	Dates	Regions
<b>Commissioner Roundtable</b>	1/23	NYC	<b>LNT</b>	6/4	Boston
<b>FE</b>	1/22-1/23	Boston/NYC	<b>DUK</b>	6/6-6/7	Midwest
<b>D</b>	2/25-2/26	Boston/NYC	<b>SJI</b>	6/18	NYC
<b>WEC</b>	2/28-3/1	West Coast	<b>EIX</b>	6/20-6/21	Texas
<b>EXC</b>	3/7-3/8	Dallas/Houston	<b>PEG</b>	6/24-6/26	Midwest
<b>PNW</b>	3/11-3/13	Midwest	<b>AWK</b>	7/9-7/10	Midwest
<b>ALE</b>	4/2-4/4	TBD	<b>SJI</b>	9/5	NYC
<b>DTE</b>	4/5	Boston	<b>SJI</b>	9/5	Boston
<b>POR</b>	4/29-4/30	West Coast	<b>ETR</b>	9/12-9/13	TBD
<b>VST</b>	5/8-5/9	West Coast	<b>CMS</b>	11/21-11/22	Texas
<b>SRE</b>	5/13-5/15	West Coast			
<b>DTE</b>	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/15	EIX	Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Opening Briefs Filed
03/19	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for pre-trial motions
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

### Key Company Research

1. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
2. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
3. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
4. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
5. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
6. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
7. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
8. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
9. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
10. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
24. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
27. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
28. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
29. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
30. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
31. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
32. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
33. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)

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34. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
35. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
36. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
37. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
38. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
39. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
40. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
41. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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**BUY (B)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

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SELL	10	2.82%	0	0.00%

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Ticker	Price	Rating
AEP	83.18	Neutral
EIX	64.10	Buy
EXC	49.63	Buy
FE	41.62	Buy
LNT	47.14	Neutral
NEE	190.97	Buy
PNW	95.38	Neutral
PPL	32.50	Neutral
WEC	77.80	Buy

## The Guggenheim Daily Transmission: EXC, EIX, PA, FE, PPL, DOE, LNT, PNW, WEC, AEP, NEE

**For Details on our upcoming Millstone call and Guggenheim's NDR schedule, please scroll down****What's New?****EXC NDR: State Rescue Cometh - Deeper Dive** (see our note [HERE](#))**EIX: Disputes VCFD and CalFire Findings on Thomas Fire—Updated Liability Estimates Still Point to Potential Upside** (see our note [HERE](#))**PA/EXC/FE/PPL – State senators announce intentions to introduce RPS increase legislation****DOE – Secretary tells CERAWEEK audience that he supports state actions subsidizing nukes****LNT – Additional filings in IPL rate cases after Consumer Advocate calls for reduction of interim rates****PNW – Parties comment in AZ Energy Modernization docket****WEC – WE Energies contract with services provider for AMI deployment****NEE – FPL announces the largest community solar program in U.S.****AEP – announces \$700mm equity linked offering to fund capex program****PA/EXC/FE/PPL – State senators announce intentions to introduce RPS increase legislation**

- The [proposed legislation](#) would bump the state RPS from 8% to 30%.
- "It is long overdue for Pennsylvania to take advantage of renewable energy programs and the opportunities they present for all residents," Sen. Killion said. "This legislation offers some practical solutions and is a step in the right direction."
- "This legislation is extremely timely given the discussion concerning the future of nuclear energy in Pennsylvania," said Representative Steve McCarter.

**Guggenheim takeaway:** Interesting development, and an important item to watch in the context of the ongoing nuclear support conversation. With this latest move, we would not be surprised to see a broader energy package develop at some point this spring. We also remain on the lookout for any policy indications from the governor. See our EXC NDR note [HERE](#) for additional thoughts.

**DOE – Secretary tells CERAWEEK audience that he supports state actions subsidizing nukes**

- The Secretary of Energy, Rick Perry, [reportedly told attendees](#) at CERAWEEK that he supports states that seek to keep nuclear plants they find "worth subsidizing."
- "I'm open to conversations ... I've thrown a lot of Jell-O at the wall on this one trying to find some solutions that we can all, or at least a majority of us, can get behind." - Rick Perry
- "I think those are wise conversations, wise discussions to have about are there industries in our state that are worth ... subsidizing, supporting?... I think I'd be inclined, if I were

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the governor of Pennsylvania, to try to keep a job creator in business and to help them be innovative on how you put the program together." - Rick Perry

**Guggenheim takeaway:** Somewhat surprising comment from the Secretary, and another data point, in our view, against the prospects of a Department-led initiative to rescue merchant coal and nuclear plants.

#### LNT – Additional filings in IPL rate cases after Consumer Advocate calls for reduction of interim rates

- IPL calls the consumer advocate's call for a reduction of interim rates "premature," while the Iowa Business Energy Coalition joins the motion.
- Docket [HERE](#).

**Guggenheim takeaway:** For your awareness.

#### PNW – Parties comment in AZ Energy Modernization docket

- The Arizona Free Enterprise Club filed opposition to EV infrastructure, while information on ASU's modeling tools for the ACC was also filed.
- Docket available [HERE](#).

**Guggenheim takeaway:** Data points ,and we just came off a PNW NDR – comments shortly.

#### WEC – WE Energies contract with services provider for AMI deployment

- WE Energies will [partner](#) with Landis+Gyr (LAND.SW) on some 500k smart meters in Wisconsin, part of the company's continued push for AMI infrastructure.
- Landis previously provided the same services for WPS.

**Guggenheim takeaway:** Minor data point for your awareness. We recently hosted WEC senior management on the road – see our note [HERE](#).

#### NEE – FPL announces the largest community solar program in U.S.

- NEE's FPL announced the pending approval from the Florida Public Service Commission a program to expand solar in Florida is underway and could provide customers with a credit on their bills for savings generated.
- The solar program will consist of 20 solar plants with 1,490 MWs over the next two years.

**Guggenheim takeaway:** For your awareness, and very consistent with plan – with FPL cost of capital, tough for others to compete in the state.

#### AEP – Announces \$700mm equity-linked offering to fund capex program

- AEP announced an equity-linked security to fund its capex program.
- Each equity unit issued at \$50 will consist of a contract to purchase AEP common stock in 2022 and a 1/20 interest in an AEP junior subordinated debenture due 2024 issued as \$1,000 par.
- The offering will help fund the current capex plan through 2021.

**Guggenheim takeaway:** Interesting security offering that is likely designed to preserve any of the balance sheet's debt capacity.

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Wednesday, March 13, 2019

Price as of Close		Wednesday, March 13, 2019		Guggenheim										Consensus											
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
AEP	American Electric Power	41.0	Neutral	\$78	\$83.18	3.3%	62%	493	4.17	4.44	4.71	4.93	19.9	18.7	17.7	16.9	4.13	4.40	4.67	5.00	20.1	18.9	17.8	16.6	
ALE	ALLETE	4.3	Neutral	\$74	\$83.23	3.1%	64%	52	3.65	4.01	4.21	4.29	22.8	20.8	19.8	19.4	3.58	3.85	4.12	4.46	23.3	21.6	20.2	18.7	
AVA	Avista*	2.7	Neutral	\$38	\$41.49	3.9%	80%	66	1.89	2.05	2.23	2.41	22.0	20.2	18.6	17.2	2.04	2.15	2.38	2.45	20.3	19.3	17.4	16.9	
CMS	CMS Energy	15.7	Neutral	\$53	\$55.30	2.9%	61%	283	2.50	2.69	2.88	3.08	22.1	20.6	19.2	18.0	2.50	2.68	2.87	3.07	22.1	20.6	19.3	18.0	
DUK	Duke Energy	65.8	Buy	\$94	\$90.56	4.3%	75%	727	5.00	5.26	5.57	5.91	18.1	17.2	16.3	15.3	4.96	5.23	5.46	5.86	18.3	17.3	16.6	15.4	
ED	Consolidated Edison	27.3	Neutral	\$82	\$85.18	3.6%	66%	321	4.36	4.60	4.75	4.92	19.5	18.5	17.9	17.3	4.33	4.56	4.76	4.90	19.7	18.7	17.9	17.4	
EIX	Edison International*	20.9	Buy	\$69	\$64.10	4.2%	56%	326	4.58	4.90	5.34	5.72	14.0	13.1	12.0	11.2	4.50	4.77	4.98	5.34	14.2	13.4	12.9	12.0	
ES	Eversource Energy	22.4	Neutral	\$72	\$70.60	3.2%	62%	317	3.49	3.68	3.86	4.05	20.2	19.2	18.3	17.4	3.47	3.69	3.88	4.13	20.3	19.2	18.2	17.1	
ETR	Entergy	18.0	Buy	\$96	\$95.01	4.0%	69%	190	5.30	5.53	5.91	6.31	17.9	17.2	16.1	15.1	5.49	5.58	5.85	6.16	17.3	17.0	16.2	15.4	
EVRG	Eversgy	14.5	Buy	\$61	\$56.93	3.7%	67%	255	2.93	3.14	3.32	3.52	19.4	18.1	17.1	16.2	2.89	3.17	3.31	3.52	19.7	18.0	17.2	16.2	
FE	FirstEnergy	22.1	Buy	\$46	\$41.62	3.8%	63%	530	2.56	2.51	2.66	2.81	16.3	16.6	15.6	14.8	2.56	2.50	2.62	2.77	16.2	16.6	15.9	15.0	
LNT	Alliant Energy	11.1	Neutral	\$41	\$47.14	3.2%	63%	236	2.24	2.37	2.50	2.69	21.0	19.9	18.9	17.5	2.25	2.40	2.53	2.68	20.9	19.7	18.6	17.6	
PNW	Pinnacle West	10.7	Neutral	\$89	\$95.38	3.3%	63%	112	4.84	5.04	5.28	5.63	19.7	18.9	18.1	16.9	4.86	5.07	5.34	5.51	19.6	18.8	17.9	17.3	
POR	Portland General Electric	4.7	Neutral	\$44	\$52.25	3.1%	63%	89	2.43	2.54	2.68	2.75	21.5	20.6	19.5	19.0	2.45	2.57	2.70	2.75	21.4	20.4	19.3	19.0	
PPL	PPL Corporation	23.4	Neutral	\$29	\$32.50	5.6%	71%	721	2.44	2.58	2.74	2.85	13.3	12.6	11.9	11.4	2.43	2.54	2.55	2.85	13.4	12.8	12.7	11.4	
SO	Southern Company	53.5	Neutral	\$44	\$51.73	4.9%	81%	1035	3.05	3.15	3.31	3.46	17.0	16.4	15.6	15.0	3.03	3.13	3.25	3.46	17.1	16.5	15.9	15.0	
WEC	WEC Energy	24.5	Buy	\$76	\$77.80	3.2%	67%	315	3.50	3.73	3.98	4.26	22.2	20.9	19.5	18.3	3.52	3.74	3.97	4.24	22.1	20.8	19.6	18.4	
*Average (Excl. EIX, PPL for P/E)						3.5%	63%						20.0	18.9	17.9	16.9						19.9	18.9	17.9	16.9
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
NI	NISource	10.4	Buy	\$29	\$27.98	2.9%	61%	372	1.32	1.37	1.47	1.58	21.2	20.4	19.0	17.7	1.31	1.39	1.47	1.58	21.3	20.1	19.0	17.7	
NJR	New Jersey Resources	4.5	Sell	\$39	\$50.40	2.4%	60%	89	1.99	2.19	2.36	2.54	25.3	23.0	21.4	19.8	2.10	2.25	2.32	2.54	24.0	22.4	21.7	19.8	
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.29	2.9%	86%	29	2.21	2.58	2.68	2.74	29.1	24.9	24.0	23.5	2.32	2.53	2.61	2.71	27.7	25.4	24.6	23.7	
SR	Spire	4.1	Neutral	\$77	\$80.51	3.0%	64%	51	3.74	3.89	4.01	4.28	21.5	20.7	20.1	18.8	3.74	3.87	3.98	4.30	21.5	20.8	20.2	18.7	
Average						3.0%	68%						24.3	22.3	21.1	20.0						23.6	22.2	21.4	20.0
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
EXC	Exelon	48.1	Buy	\$53	\$49.63	2.9%	45%	970	3.16	3.25	3.17	3.21	15.7	15.3	15.7	15.5	3.15	3.17	3.15	3.36	15.8	15.6	15.8	14.8	
PEG	PSEG	30.1	Buy	\$62	\$59.51	3.2%	58%	505	3.25	3.60	3.70	3.87	18.3	16.5	16.1	15.4	3.25	3.54	3.65	3.88	18.3	16.8	16.3	15.4	
Average						3.0%	52%						17.0	15.9	15.9	15.4						17.0	16.2	16.0	15.1
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
NRG	NRG Energy	12.1	Buy	\$51	\$43.06	0.3%	0%	281	1,975	1,858	1,900	1,936	9.0	9.2	8.7	8.6	1,960	1,888	1,827	1,936	8.8	8.9	8.9	NA	
VST	Vistra Energy	12.6	Buy	\$39	\$26.02	1.9%	0%	486	3,367	3,472	3,612	3,770	7.0	6.7	6.3	5.8	3,366	3,355	3,185	3,733	6.7	6.5	6.3	NA	
Average													8.0	8.0	7.5	7.2						7.7	7.7	7.6	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
CNP	CenterPoint	15.2	Buy	\$33	\$30.41	3.8%	69%	501	1.70	1.89	2.02	2.13	17.9	16.1	15.1	14.3	1.67	1.82	1.94	2.13	18.2	16.7	15.7	14.3	
D	Dominion	61.7	Buy	\$82	\$76.30	4.8%	86%	808	4.24	4.44	4.68	4.92	18.0	17.2	16.3	15.5	4.21	4.41	4.65	4.94	18.1	17.3	16.4	15.5	
DTE	DTE Energy	22.6	Buy	\$127	\$124.16	3.0%	60%	182	6.26	6.72	7.21	7.63	19.8	18.5	17.2	16.3	6.24	6.58	7.04	7.52	19.9	18.9	17.6	16.5	
NEE	NextEra	91.3	Buy	\$205	\$190.97	2.6%	58%	478	8.63	9.19	9.91	10.52	22.1	20.8	19.3	18.2	8.40	9.07	9.75	10.49	22.7	21.1	19.6	18.2	
OGE	OGE Energy	8.5	Neutral	\$41	\$42.79	3.5%	70%	200	2.14	2.30	2.41	2.51	20.0	18.6	17.8	17.0	2.15	2.31	2.42	2.51	19.9	18.6	17.7	17.0	
SRE	Sempra Energy	34.1	Buy	\$133	\$124.34	3.1%	64%	274	6.10	7.26	7.66	7.96	20.4	17.1	16.2	15.6	6.00	7.11	7.74	7.96	20.7	17.5	16.1	15.6	
Average						3.4%	68%						19.7	18.0	17.0	16.1						19.9	18.3	17.2	16.2
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
AWK	American Water Works	19.0	Neutral	\$96	\$105.11	1.8%	54%	181	3.61	3.96	4.27	4.60	29.1	26.5	24.6	22.9	3.59	3.89	4.24	4.66	29.2	27.0	24.8	22.6	
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA				
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	
CWEN	Cleanway Energy	3.2	Neutral	\$11	\$14.95	5.4%	NA	183	1,026	1,056	1,063	1,076	9.0	9.2	9.0	9.4	993	1,060	1,090	NA	8.4	7.9	7.3	-	
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$46.30	4.4%	NA	56	1,393	1,560	1,811	1,981	7.8	7.4	6.9	0.0	1,148	1,287	1,481	1,981	9.5	9.0	8.4	NA	

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

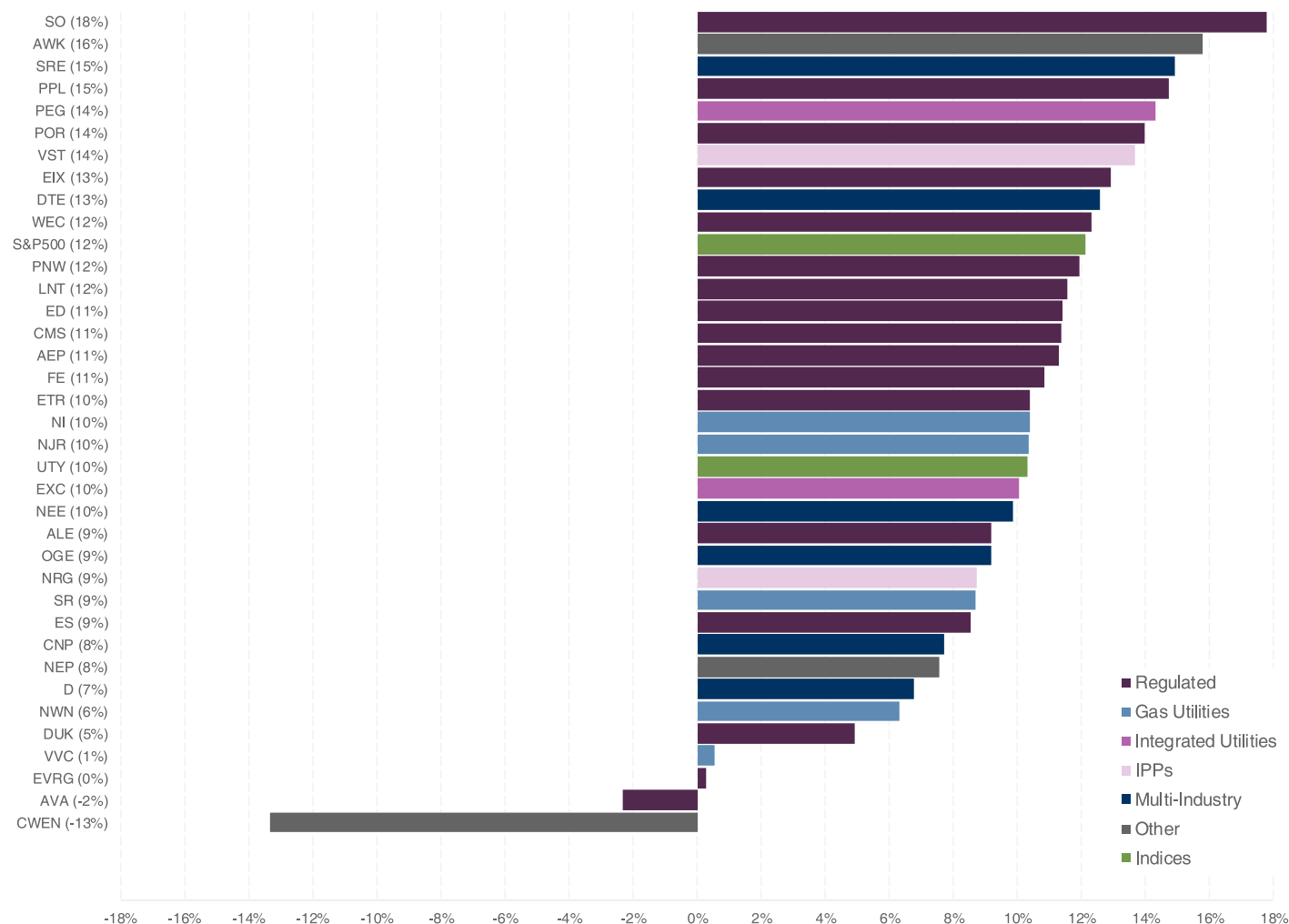
Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES & ALTERNATIVE ENERGY

March 14, 2019

### Share Price Performance (Year-to-Date)

#### Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

**3/14 Conference Call: Millstone Discussion**

Equity Research | Corporate Access

**Conference Call: Millstone Discussion | Connecticut Un-Quarked with Lee Hoffman**

Please join us for a conversation on Millstone nuclear power plant's contract negotiations and Connecticut's zero carbon RFP, all ahead of the March 15<sup>th</sup> ISO-New England de-listing deadline.

**Date and Time**

Thursday, March 14, 2019  
1:00pm ET

**Topics**

- Informative discussion with a local Connecticut zero carbon policy expert and vested stakeholder who represents clients in this process
- Unpacking historical precedents in the negotiation process between local CT utilities and zero carbon generators
- CT and New England clean energy policy initiatives, recent gubernatorial transition, and thoughts on the new CT DEEP Chair and various other important parties to think about.
- Thoughts on Millstone nuclear power plant negotiations with DEEP, Eversource (ES) and Avangrid (AGR), potential contract structure for CT's zero carbon RFP, outcome scenario etc..
- What will be the ultimate outcome and endgame?

**Call Format**

45-60 minute session for speaker discussion followed by audience Q&A

**Dial-in**

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

**Speaker Bio**

**Lee D. Hoffman** is a partner and practices with the law firm of Pullman & Comley, LLC. Mr. Hoffman is representing other companies who won projects in the current zero carbon RFP and has over 25 years of experience before the applicable authorities. He has essentially represented clients in every clean energy RFP conducted by the state of CT. He is chair of the firm's Environmental, Energy and Telecommunications Department and is a member of the firm's Executive Committee. Mr. Hoffman litigates and advises clients in the areas of environmental law, energy and utility matters and toxic tort suits. He advises clients on various environmental matters including counseling them on environmental compliance issues, the redevelopment of contaminated properties ("brownfields") to productive use, assisting with facility audits, advising companies on the ramifications associated with the acquisition or divestiture of assets, regulatory interpretation and conducting facility audits. Mr. Hoffman also represents parties in proceedings before the Connecticut Public Utilities Regulatory Authority and the Connecticut Siting Council. His experience includes representing utility companies, municipalities, lenders and private power producers in connection with the siting of facilities, transmission lines and pipelines; representing interested parties in connection with cable franchise renewals; financing power projects and representing wireless carriers in the siting of telecommunications facilities. With respect to litigation matters, he represents individuals and municipalities in all areas of environmental, energy and regulatory law. His experience includes trial and appellate work in both civil and criminal environmental matters, utility rate-making proceedings, toxic torts, representation before administrative agencies and Superfund litigation.

**Participating Guggenheim Analysts**

**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 14, 2019

**Guggenheim 2019 Non Deal Roadshow Schedule**

Ticker	Dates	Regions	Ticker	Dates	Regions
<b>Commissioner Roundtable</b>	1/23	NYC	<b>LNT</b>	6/4	Boston
<b>FE</b>	1/22-1/23	Boston/NYC	<b>DUK</b>	6/6-6/7	Midwest
<b>D</b>	2/25-2/26	Boston/NYC	<b>SJI</b>	6/18	NYC
<b>WEC</b>	2/28-3/1	West Coast	<b>EIX</b>	6/20-6/21	Texas
<b>EXC</b>	3/7-3/8	Dallas/Houston	<b>PEG</b>	6/24-6/26	Midwest
<b>PNW</b>	3/11-3/13	Midwest	<b>AWK</b>	7/9-7/10	Midwest
<b>ALE</b>	4/2-4/4	TBD	<b>SJI</b>	9/5	NYC
<b>DTE</b>	4/5	Boston	<b>SJI</b>	9/5	Boston
<b>POR</b>	4/29-4/30	West Coast	<b>ETR</b>	9/12-9/13	TBD
<b>VST</b>	5/8-5/9	West Coast	<b>CMS</b>	11/21-11/22	Texas
<b>SRE</b>	5/13-5/15	West Coast			
<b>DTE</b>	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 14, 2019

## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/15	EIX	Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Opening Briefs Filed
03/19	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for pre-trial motions
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)
04/29	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/29	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Rebuttal testimony due

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

### Key Company Research

1. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
2. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
3. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
4. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
5. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
6. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
7. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
8. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
9. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
10. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
24. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
27. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
28. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
29. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
30. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
31. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
32. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
33. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)

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34. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
35. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
36. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
37. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
38. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
39. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
40. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
41. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 14, 2019

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March 13, 2019

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## EXC BUY

**Exelon Corporation**  
**Sector: Power, Utilities & Alternative Energy**

## Company Update

Share Price	\$49.46
Price Target	\$53.00

EPS (\$) (FY DEC)	1Q	2Q	3Q	4Q	FY
2019	0.87E	0.74E	0.99E	0.56E	3.16E
P/E					15.6x
2020	0.87E	0.67E	1.12E	0.59E	3.25E
P/E					15.2x
2021	0.85E	0.74E	1.12E	0.46E	3.17E
P/E					15.6x

## Market Data

52-Week Range	\$37.21 - \$49.56
Dividend	\$1.05
Dividend Yield	2.1%
Market Cap (M)	\$47,964
Shares Out (M)	969.7
ADV (3 mo; 000)	5,502

## EXC NDR: State Rescue Cometh - Deeper Dive

**Key Message:** In a market full of challenging multiples, we believe Exelon remains a deep value for those with the patience for policy – our NDR reinforced our continued stance. In our view EXC's integrated model is positioned with minimal policy downside on the generation side, and robust 6-8% EPS growth at the utilities. 2019 is shaping up to be a key inflection year for the remaining un-ZEC'd portion of the nuclear fleet, with legislation in PA a win or shutting down TMI in PA a win. We are also watching Illinois clean energy legislation and NJ ZECs as they cross the finish line.

**Exelon remains one of the deep value names in our coverage universe, in our view.**

We believe some investors are assigning an unjustified policy overhang to ExGen, with additional policy relief coming in 2019 as states such as New Jersey and Pennsylvania move to support nuclear plants and FERC clears a backlog of power market reforms. We have long seen policy as the 'third factor' dictating power revenues for gencos and IPPs, and while federal policy has done little to improve the lot of either party, the states have moved steadily in Exelon's favor. Like PEG, Exelon has the clean, job-generating assets that state and federal policymakers want to keep in operation, with the former now making a concerted effort in Pennsylvania. **We estimate that a successful push by Pennsylvania lawmakers for newly-introduced ZEC legislation could be worth ~\$1-\$2.60/share for Exelon in 2020.**

**Crucially, all of these policy items are upside to what is already a fundamentally sound story.** Management expects some \$8bn in available cash through 2022 from ExGen as it is, with the funds put to use investing in the utilities (~\$4.2bn), deleveraging (~\$2.5bn), the dividend (~\$400mm), and finally a small amount of growth capex (~\$600mm) for things like contracted solar. Thanks to the cash flows and prudent allocation, Exelon maintains a strong balance sheet (20% FFO/debt), giving management strategic and financial flexibility to move within the LT plan. **All of this comes before additional tailwinds, such as the current backwardation in power curves across several markets, or the additional cost savings we believe could be wrung out of ExGen over the years.**

**Oh, and we were also on the road with the company. Key topics of discussion were centered on:** (1) **Zero Emissions Credits (ZECs) in both New Jersey and Pennsylvania:** New Jersey's program is expected to be finalized by the BPU in the coming weeks, with Pennsylvania's nascent effort much more of an uncertainty but becoming more viable, in our view – details inside. (2) **Developments in Illinois:** the state's clean goals stand on a collision course with PJM's capacity market but present opportunities for ExGen's remaining un-ZEC'd IL fleet. (3) **Regulatory front:** Business as usual as the PHI utilities continue to close the ROE gap with the legacy subsidiaries, and a robust capex profile supports top-tier growth through the 2022 forecast window. (4) **Strategic thoughts:** No, the genco isn't going anywhere anytime soon, so quit asking. Management retains its faith in the integrated model, as strong cash flows at the generation business support both the dividend and the ~8% rate base growth at the utilities and a divestiture would create too many dis-synergies.

**In the NT, beyond progress on ZECs in New Jersey and Pennsylvania, we also continue to look out for:** 1) details on the ZEC appeal to the Supreme Court by EPSA, with no guarantee that the high court will hear it, 2) the status of new clean energy legislation in Illinois, 3) the status of both energy and capacity market reforms for PJM sitting before FERC, 4) the outcome of several rate cases across the former PHI footprint...

**Continued on the next page...**

## ZECS

By far the most discussed, and pressing, topic in our investor meetings concerned the ongoing development of Zero Emission Credits (ZECs) in both New Jersey and Pennsylvania. Following successful efforts to procure credits in IL and NY, **New Jersey is now in the final innings of the implementation of its own program, while Pennsylvania remains deep in political deliberations on the merits of instituting its own program but gaining significant traction.** While we further expound on these two specific states below, it is also worth noting that we continue to monitor Ohio for similar legislation but this remains a long shot – i.e. our conversations with both EXC management on this trip, and FE management several weeks ago (see note [HERE](#)), indicate that this remains a relatively more uphill battle versus Pennsylvania.

**Finally, we note that while we have not heard anything regarding a ZEC in Maryland, in our view the state would stand ready to support Calvert Cliffs (~1.8GW, 50.01% EXC) if need be.** This viewpoint is supported by recent comments from Commissioner Anthony O'Donnell during a panel discussion at the Center for Climate and Energy Solutions in Washington, where he [reportedly](#) noted that the state would 'never' be able to meet its emissions goals without Calvert Cliffs.

### NEW JERSEY: PEG'S BALLGAME

**While EXC maintains an interest in the outcome of the New Jersey ZEC process via its ~43% stake in the Salem plant, this remains PSE&G's show...** Our ZEC conversations naturally started with the most immediate data points; namely the status of the process in New Jersey. While the language creating nuclear ZECs was enshrined in law last year by Governor Murphy, the Board of Public Utilities (BPU) remains in the midst of actually designing and implementing the process, which has not been without critical comments (e.g. the PJM [HERE](#) and the Rate Counsel [HERE](#)). **We note that 'bumps' like these in the process have caused some investor concern in our conversations, with some questioning whether all three units under consideration will qualify.** We view these concerns as overdone given the degree of detail in PEG's rebuttals, and management's own belief that it has met the requirements of the law. **The BPU is set to make decision on the matter on April 18<sup>th</sup>.** As a reminder we assume both units at Salem and Hope Creek qualify – see our previous NJ ZEC math in our 2018 PEG NDR note [HERE](#).

**We hosted the NJ BPU President and other commissioners last summer - the importance of all three units to the state was not lost on them. See [HERE](#)**

### PENNSYLVANIA: STILL TOO EARLY TO MAKE ANY CALLS

**Pennsylvania's nuclear fleet finds itself at a crossroads, with a decision needed by May to stave off the closure of Three Mile Island.** As we have profiled in recent weeks, the state of Pennsylvania remains locked in a deep conversation over whether or not it should extend some sort of economic support to its domestic nuclear fleet. As we have seen in other locales, the nuclear fleet in Pennsylvania possesses a potent mix of environmental and economic attributes that have made them popular vectors for politicians pursuing green policies. However, Pennsylvania is set apart in our view by strong oil & gas and industrial lobbies, and a slightly softer stance on the environmental side. **Our meetings touched on management's thoughts around the leaked draft legislation (see**

No changes to the story in NJ... ZECs remain on track with PEG standing firm on need...

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The legislation calls for an expansion of the RPS program...

Not a slam dunk by any measure – we expect a bruising fight this spring...

“It’s not an easy lift, and it will be challenging to pass. While it’s hard to predict, I think there is maybe more of an appetite in the Senate for similar legislation.”

- Rep. Jim Marshall

[HERE](#)), which bears a strong resemblance to the official language that was released on March 11<sup>th</sup>, shortly after our NDR.

**So what’s in the bill?** Released to much fanfare on March 11<sup>th</sup> by Representative Tom Mehaffie, House Bill 11 (summary available [HERE](#), full text [HERE](#)) is an extensive retooling and expansion of the state’s Alternative Energy Portfolio Standard (AEPS) to include nuclear generation, via a new tranche of resources that the state’s load serving entities (LSEs) would be required to purchase credits from. **Specifically, it creates a class of Tier III resources**, which in addition to nuclear energy, would include technologies such as solar, wind, low-impact hydro and geothermal. **Tier III pricing for these resources would be set equal to Tier I pricing, subject to a cap and floor – more on this below.** Eligibility would not be means-tested (all EXC units could benefit vs. just TMI), unlike NJ, NY, or IL, but a clean resource would be specified as a **zero-emission source whose shutdown would negatively affect the emissions profile of the state**, and is not subject to cost of service rates, among other requirements. **Most importantly, the program ensures that nuclear units will be included by requiring electric distribution companies to purchase Tier III credits equivalent to 50% of their total load.** The Program would begin July 1st, 2019, and resources that elect to participate would be required to do so for six periods. The language also includes a safety valve for those resources who unexpectedly require over \$40mm in capital costs during the course of their obligation (e.g. a steam generator replacement) to withdraw themselves from the program. Finally, the legislation includes an accommodation for actions by PJM/FERC that would affect the status of units for capacity market eligibility – more on this below.

**So what are the chances of passage?** While the Nuclear Caucus appears to have made headway in its outreach efforts and labor representatives have been very vocal YTD in Harrisburg, the passage of House Bill 11 remains far from certain in both our view and management’s. Our meetings with investors were punctuated by management’s optimism, tempered with a realistic assessment of the situation on the ground. **Specifically, management acknowledged, as we have in the past, that the oil & gas lobby remains very entrenched in the state, and we note that large industrial customers and some environmentalists have already sounded cautious-to-negative tones on the proposals.** *Management did comment during our meetings that whereas they saw a one in ten chance of passage as recently as December 2018, the possibility is now much higher - but still not 50/50.* Part of the improvement has come from the perceptions of how Governor Wolf will react – he has been very quiet on the issue to date, in our view. However this will likely change, in our view, given his focus on the environment, having only two months ago established carbon pollution reduction goals (see [HERE](#)). EXC management noted that the loss of a single unit (e.g. TMI) would be sufficient to set these goals back by years. **Going forward, we remain on the lookout for numbers on co-sponsors for the bill, with the February memo receiving 6 people. Management indicated that it would not be surprised to see a few more join early on, putting roughly 20% of the 50-seat senate in favor of the legislation.**

**On the house side**, Rep. Jim Marshall noted the following in [comments](#) to The Times following the unveiling: “This bill is a starting point... At the very least, it’s bringing attention to a real concern.” On passage he noted: “It’s really too soon to say... It’s not an easy lift, and it will be challenging to pass. While it’s hard to predict, I think there is maybe more of an appetite in the Senate for similar legislation.”

**Note:** During our NDR, Andrew Place, a sitting commissioner on the Pennsylvania PUC circulated an unsolicited 33 page memo (see [HERE](#)) to state lawmakers

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detailing policy options for them to consider, including mechanisms similar to the legislation discussed above.

**SO HOW MUCH COULD IT BE WORTH?**

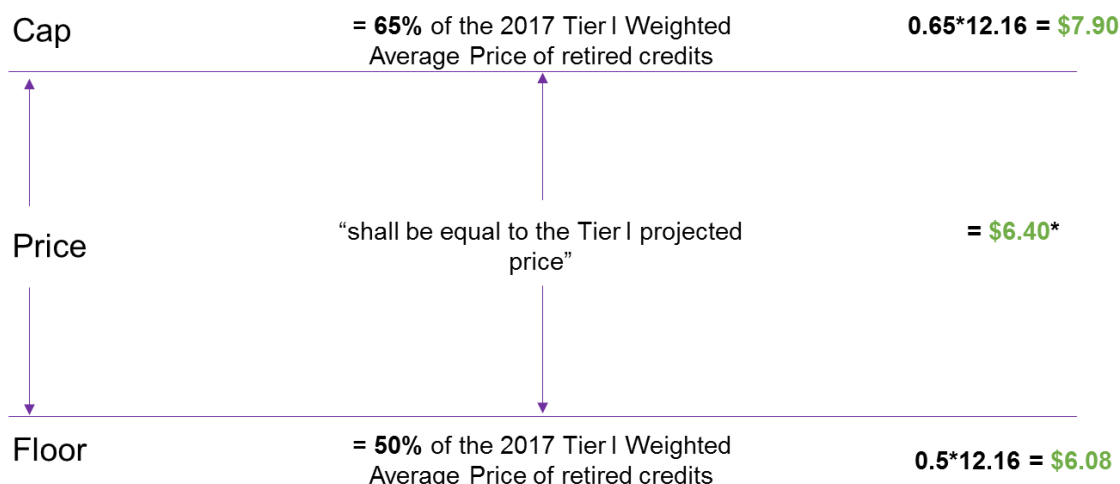
Our first pass at the mechanics of the legislation indicates that it could be worth somewhere in the range of \$1.10-\$2.60/share, depending on the ultimate puts and takes of the Tier III pricing and total generation. Our initial pass at a rough estimate for the legislation, assumes that the 50% requirement placed on LSEs captures the *entirety* of EXC's output - including Three Mile Island:

Plant	MWh <sup>1</sup>	Ownership	EXC MWh	
Peach Bottom	20,046,632	50%	10,023,316	
Limerick	18,931,970	100%	18,931,970	
Three Mile Island	6,927,572	100%	6,927,572	
Total			<b>35,882,858</b>	a
		ZEC Price <sup>2</sup>	<b>\$6.40</b>	b
		Annual revenue	229,650,294	c = a*b
		EV/EBITDA	<b>8.0x</b>	d
		Incremental EV (\$mm)	1,837	e=c*d
		Diluted Shares	969	f
		2020 Value per share <sup>3</sup>	<b>\$1.90</b>	g=e/f

<sup>1</sup> 7 year average<sup>2</sup> Average PA Tier I REC price from 3/09/2018 to 3/08/2019<sup>3</sup> not discounted to 2019

Source: Guggenheim Securities, S&amp;P Global (generation), Company Filings

**The legislation also sets a price cap and floor...** Provided Pennsylvania does not join RGGI, or institute a statewide emissions fee, the legislation sets a price floor at 50% of the weighted average price of credits that were retired for the year ending May 31<sup>st</sup>, 2017. This data is supplied via the PA PUC's 2017 Annual Report of Alternative Energy Portfolio Standards Act of 2004, which for your reference is available [HERE](#). **Using the PUC's reported weighted average price of credits, we arrive at a price range of roughly \$6 to \$8:**



\*Guggenheim estimate - Average PA Tier I REC price from 3/09/2018 to 3/08/2019  
Source: Guggenheim Securities, PA PUC, PA Legislature, S&P Global (REC pricing)

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Examining the potential accretion to 2020 value per share across a range of ZEC values and multiples, **we have found that the program could add anywhere from approximately \$1.10 to \$2.60 per share:**

Multiple	Value of ZEC						
	Floor						Cap
	\$5.50	\$6.00	\$6.50	\$7.00	\$7.50	\$8.00	\$8.50
5.0x	\$1.02	\$1.11	\$1.20	\$1.30	\$1.39	\$1.48	\$1.57
6.0x	\$1.22	\$1.33	\$1.44	\$1.55	\$1.67	\$1.78	\$1.89
7.0x	\$1.43	\$1.55	\$1.68	\$1.81	\$1.94	\$2.07	\$2.20
8.0x	\$1.63	\$1.78	\$1.93	\$2.07	\$2.22	\$2.37	\$2.52
9.0x	\$1.83	\$2.00	\$2.17	\$2.33	\$2.50	\$2.67	\$2.83

Source: Guggenheim Securities, S&amp;P Global (generation), Company Filings

### PA LEGISLATION A WIN-WIN FOR EXC: TMI CLOSES = ACCRETION; PA ZEC PASSAGE = ACCRETION

"Experts agree that single unit reactors such as TMI are uneconomic"

– PA PUC Commissioner Andrew Place

While we have included TMI in our rough math, the fate of the plant remains very much in the balance and while PA ZEC's passage would not necessarily be enough to make the unit cash flow positive, the absence of a "means test" in the proposed Bill would allow EXC to earn PA ZEC's on all three plants – i.e. an accretive situation using a portfolio-based approach. Our initial pass at a rough estimate for the legislation includes Three Mile Island, as management noted that that despite still remaining an economically challenged plant even post PA ZEC enactment, their PA portfolio as a whole would benefit and this would outweigh the negative economics of TMI as a standalone – in a "mean test" scenario which is not the case with what is being proposed in PA, Limerick and Peach Bottom would not likely qualify and EXC would still likely close TMI given that the current PA ZEC as proposed would not be sufficient to keep the single unit cash flow positive. The plant's single unit operating costs are somewhere in the \$36<sup>1</sup>-\$43/MWh<sup>2</sup> range, above or in line with our blended ATC forward curves for the PJM East/West regions through 2026 (see our latest price deck [HERE](#)). In addition, management pointed out several times that the plant has repeatedly failed to clear the capacity auction. That said, **given that the PA ZEC proposal is applied to all three plants, the situation is net-net accretive to EXC and simply closing TMI post PA Legislation passage would not be politically palatable.** If PA ZEC Legislation doesn't pass, closing TMI would also provide an accretive opportunity – in either scenario, EXC wins:

Scenario		Value of ZEC (from above)						
		\$5.50	\$6.00	\$6.50	\$7.00	\$7.50	\$8.00	\$8.50
1)	Full ZECs (same as above)	\$1.63	\$1.78	\$1.93	\$2.07	\$2.22	\$2.37	\$2.52

or...

		Value per Share (assuming \$0.10 EPS accretion)						
2)	TMI Retires	\$1.49						

Source: Guggenheim Securities, SNL (generation), Company Filings

<sup>1</sup> NEI estimate for single unit plants (cited P.4 [HERE](#))

<sup>2</sup> S&P Global estimate as of 3/12/19

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Sensitizing for the TMI accretion range provided by management, and we arrive at a range of ~\$0.95 to \$1.50/share in value when applying an 8x multiple to the resulting boost in EBITDA:

Value Per Share	TMI Closure Accretion (mgmt. guide \$0.05-\$0.10/sh)					
	\$0.05	\$0.06	\$0.07	\$0.08	\$0.09	\$0.10
	\$0.94	\$1.05	\$1.16	\$1.27	\$1.38	\$1.49

Source: Guggenheim Securities, Company Filings

We can also sensitize the value across a range of EV/EBITDA multiples, with even conservative assumptions yielding value:

Multiple	TMI Closure Accretion (mgmt. guide \$0.05-\$0.10/sh)					
	\$0.05	\$0.06	\$0.07	\$0.08	\$0.09	\$0.10
5.0x	\$0.59	\$0.66	\$0.73	\$0.79	\$0.86	\$0.93
6.0x	\$0.70	\$0.79	\$0.87	\$0.95	\$1.04	\$1.12
7.0x	\$0.82	\$0.92	\$1.02	\$1.11	\$1.21	\$1.31
8.0x	\$0.94	\$1.05	\$1.16	\$1.27	\$1.38	\$1.49
9.0x	\$1.06	\$1.18	\$1.31	\$1.43	\$1.56	\$1.68

Source: Guggenheim Securities, Company Filings

For reference, our math for the potential TMI EBITDA impact is as-follows:

a	Company-Reported Accretion from TMI retirement	\$0.10	Input
b	Shares Outstanding (mm)	969	
c=a*b	NI Boost Attributable to TMI Shutdown	\$96.90	
d	Taxes	\$37.68	28%
e=c+d	EBT	\$134.58	
f	Interest	0	(assumed at Holdco)
g=e+f	EBIT	\$134.58	
h	Depreciation	46	(TMI capacity * 2018 \$/MW depreciation)
i=g+h	EBITDA	\$180.92	
j	EV/EBITDA Multiple	8.0x	
k=j*i	EV	\$1,447	
l=k/b	Value per Share	\$1.49	

Source: Guggenheim Securities, Company Filings

Finally, we note that the state could possibly seek to pay TMI for its capacity should FERC allow the 'carve out' of resources in its PJM reforms, but this remains a third-order consideration at this time in our view given the number of moving pieces. Regardless of the outcome for TMI, we highlight that management sees the end game as accretive, as TMI in its current form remains a \$0.05-\$0.10 drag on earnings. Our model currently assumes the retirement of TMI in 3Q19, in line with management's current guidance, so PA ZEC represents pure upside to our estimates/valuation.

**WILL THIS COLLIDE WITH FERC?**

Importantly, while it remains to be seen how Pennsylvania's potential course of action could intersect with the outcome of reforms to PJM's capacity market currently before FERC, we note that the legislation does provide accommodations for the possible impact from FERC-directed reforms. Per the press release:

*The legislation includes a FERC-suggested "safety-valve" mechanism to allow Pennsylvania's AEPS program to co-exist with competitive markets in response to potential federally-mandated changes to the regional electricity market.*

- *The Federal Energy Regulatory Commission ("FERC") is considering changes to the rules of the PJM Interconnection wholesale electricity market that could restrict the ability of AEPS resources to participate in the PJM auction for one of the products that electricity generators sell in into the PJM market (called "capacity").*
- *The legislation provides the ability for Pennsylvania to implement a mechanism also contemplated by FERC1 that would allow AEPS Tier III resources to continue to receive both AEPS credits and revenue for capacity equal to the PJM capacity auction clearing price, which is consistent with status quo, and should cause no material changes to Pennsylvania consumers.*
- *The mechanism would be triggered only if the restriction on the participation of AEPS resources in the PJM capacity market is implemented, and FERC has approved the PJM framework to accommodate the new construct. – via the Bill Summary [HERE](#)*

While carving out the state's nuclear units (a la the BGS auction method discussed for PEG) would ostensibly be neutral for EXC, **the exact mechanisms would need to be worked out by the PUC/lawmakers during the course of ZEC implementation.** This *exact conversation* is occurring at the moment in Illinois, which we detail further in the following section.

**NEWTON'S THIRD LAW: FOR EVERY ZEC THERE IS AN EQUAL AND OPPOSITE REACTION**

**The steady proliferation of ZECs over time has created an immutable friction between state policymakers and the federally-regulated RTOs.** Unlike the situation in New York, where the ISO operates a market solely within the borders of a single state, PJM's footprint extends from Chicago, Illinois to Newark, NJ and down to North Carolina. As a result, the RTO finds itself stuck in the unenviable position of balancing state policy choices (ZECs) against the "just and reasonable" paradigm required of a federally-jurisdictional interstate market. PJM has sought to walk the fine line between state choices and maintaining a competitive market through a series of reform proposals which ultimately resulted in the Spring 2018 'jump ball' capacity market reform docket before FERC, and subsequent refinements.<sup>3</sup> **In the case of EXC, the key takeaway for investors to understand, in our view, is that because it currently has what states want (clean, high-paying generation), the status quo is best thought of as a floor going forward – i.e. reforms going forward are likely incremental, and at worst, neutral.**

<sup>3</sup> For more details on the FERC/PJM Capacity Reform Process, see our prior research listed at the end of recent expert call note [HERE](#)

**ILLINOIS: NOT WAITING FOR FERC**

**Illinois remains a key part of the ExGen story, and a major source of friction within PJM.** Having previously secured the NT viability of EXC's Clinton and Quad Cities nuclear units with the nation's first ZECs, Illinois lawmakers under newly-elected governor Pritzker are now focused on completely overhauling the state's energy mix. The recently-introduced *Clean Energy Jobs Act* (SB2132/HB3624 – see [HERE](#)) would see the state set on a path to 100% renewable by 2050, **with an interim target of 45% renewable and no fossil fuels by 2030** (see [HERE](#) for other details of the legislation). As a reminder, Illinois officials have not been a fan of PJM's capacity construct for some time now, even going so far last fall as to [suggest](#) ending the RTO's capacity market altogether, and filing expert testimony in the FERC reform docket questioning bidding behavior in ComEd (see [HERE](#)). Such aggressive targets will likely exacerbate these tensions in our view. **In fact, the legislation would empower the Illinois Power Authority (IPA), which currently [conducts](#) SOS/POLR<sup>4</sup> auctions and oversees the REC program, to help administer the new targets.**

**Our conversations with management indicated that under the legislation the IPA would effectively supplant the role of PJM's capacity construct in the ComEd zone.** More specifically, management indicated that capacity for the zone could be carved out of the Base Residual Auction either via the traditional FRR mechanism, or more likely, via an updated FRR/Carve out option that will emerge from the ongoing FERC reform process. In our view this could be negative for those IPPs with exposure to the ComEd zone (e.g. NRG), as about 50% of the capacity in that capacity zone is clean (EXC nukes), but 75% of generation that cleared in most recent auction was 'dirty.' As a reminder, both the Dresden plant and part of Byron did not clear in the most recent auction:

Plant	Capacity	RTO	Cleared Last PJM Auction (21/22)?	Currently Receiving ZECs?
Braidwood Generating Station	2,384	PJM	Yes	No
Byron Generating Station	2,346	PJM	Partial	No
Dresden	1,805	PJM	No	No
LaSalle County Generating Station	2,313	PJM	Yes	No
Quad Cities	1,364	MISO,PJM	Yes	Yes
Clinton Power Station	1,078	MISO	N/A	Yes

Source: Guggenheim Securities, S&P Global (capacity), Company Filings

*"I think the capacity market as it stands is an existential crisis for consumers and the environment"*

- David Kolata, Executive Director of IL Citizens Utility Board

**While SB2123/HB3624 remains a somewhat cumbersome work in progress in our view, we note that management's goal is to see something get passed within the year.** The work on the legislation is complicated in our view by the aforementioned FERC uncertainty, which has created a bit of a moving target for legislators and EXC. Absent a definitive order from the Commission, the language in the bill will need to reflect some flexibility towards how the state ultimately contracts with clean energy sources – be it through an FRR-RS/ReCo, or a traditional FRR. **As with the Pennsylvania developments, management sounded optimistic on the legislation in our meetings, but tempered this with caution regarding the broader political process.** The issue of energy policy in Illinois is quite complex in both our view and management's, with renewables advocates not necessarily supporting nuclear units, politicians concerned about the impact of coal closures on small communities, and fossil IPPs raising concerns

<sup>4</sup> Stand offer Service/Provider of Last Resort – electricity procured for those customers who do not choose a retail provider

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over competition and increased costs. For SB2123/HB3624, the analysis of the legislation's reception is further complicated by a broad set of 'environmental justice' and jobs initiatives, echoing the more amorphous qualities of the 'Green New Deal' in Washington. How these will slow or expedite passage remains difficult for us to elucidate at this time.

**ENERGY MARKET REFORMS: SMALL BUT POSITIVE**

Finally, we note that our conversations with management also touched upon a far smaller and relatively less controversial reform effort; changes to the PJM energy market. Here management highlighted the same three items that we noted in our 2019 outlook (see [HERE](#)): 1) fast start, 2) scarcity reforms, and 3) extended LMPs to allow baseload resources to set marginal prices. Unfortunately progress on many of these initiatives remains slow, with fast start having languished before the Commission for months at this point. A decision was initially expected this past fall, then slipped to February, and remains outstanding. While we have seen estimates for this reform in the range of \$2-4/MWh, we note that our recent conversation with PJM's former chief economist (see [HERE](#)) dampened our expectations for a price boost in this range. On the second item, scarcity reforms, we note that the PJM Board recently closed a yearlong stakeholder process and intends to submit a proposal to FERC in the coming weeks. Here, again, the total impact will not be major for PJM participants, with estimates as of our outlook forecasting up to \$1.9bn in additional annual generator revenues in total. A timeline for this process remains difficult to predict given the schedule slippage we have seen on fast start to date. Finally, on the third item, extended/baseload LMPs, we note that we have not heard as much on this proposal of late, and while EXC management indicated it remains in general discussion, we note that the proposal drew criticism when it was initially floated in November 2017. Given the pace of energy reform it may be some time before this is brought before the stakeholder process, in our view.

6-8% EPS growth continues, as the PHI utilities work to close the ROE gap...

**REGULATORY**

Despite devoting a large portion of our conversations to generation, we also made time to discuss the core of EXC's story: strong growth at the utilities... Here, the primary drivers should be familiar, as they remain consistent: sustained investment across EXC's footprint continues to drive rate base growth, while an active regulatory cycle seeks to improve ROEs at the PHI utilities (Pepco MD, Pepco DC, Delmarva, and ACE). On the first, investment, management expects rate base growth of roughly 7.8% through 2022, and utility EPS growth of 6 to 8%, in line with our modeled ~8% from 2018-2022. Partially driving this EPS growth is EXC's focus on earning its allowed at the PHI utilities, with a brisk pace of rate case activity over the past 18 months now bringing Pepco and Delmarva within striking distance of their 9-10% earned ROE targets. **This is generally in line, to slight ahead of our modeled assumptions for ROE improvement at PHI.** Outstanding items at this time we are tracking include: 1) ACE's August 2018 request (Docket No. ER18080925) for a ~\$130mm increase to base rates, 10.10% ROE on 50.22% equity (versus 9.7% ROE on 50.47% equity currently authorized), and 2) Pepco MD's ~\$30mm base rate increase (Docket available [HERE](#)) with a 10.3% ROE on a 50.5% equity layer (versus 9.5% on 50.44% equity currently authorized). As a reminder, Maryland rate cases must be completed within 210 days.

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Advanced ratemaking now authorized or under consideration in PA and MD...

Some important developments on the regulatory policy front as well, with advance ratemaking [legislation passed](#) in Pennsylvania last year and the Maryland Legislature considering its own bill... Maryland House Bill 653 (available [HERE](#)) would allow 'alternative ratemaking,' which includes:

1. A Fully Forecasted Test Year;
2. Multiyear Rates;
3. Formula Rates;
4. Rate Designs;
5. Other Rate Plans

Introduced on February 6<sup>th</sup>, and discussed at a hearing on February 21<sup>st</sup>, the bill has 5 Democratic sponsors. While we have not seen or heard significant public discussion or reporting to date on the proposed changes, we note that the legislation was also mentioned in passing during meetings for our recent NDR with FirstEnergy management (see [HERE](#)) as a positive for their subsidiary Potomac Edison. **The potential for formula rates would be helpful in reducing lag in our view, as we have seen at other EXC utilities like ComEd.** Finally, we note that the MD legislature appears to be taking the subject seriously, with the MD PSC providing a teach-in to lawmakers on the House Economic Matters Committee in early January (available [HERE](#)). In Pennsylvania PECO has not yet indicated whether it will pursue advanced policies in the near term, but we continue to monitor for changes at any of the states' T&D utilities (including FE and PPL subsidiaries).

## STRATEGY

Integrated model not going anywhere...for now...

Given the dwindling population of integrated utilities both inside and outside of our coverage universe, **the question of splitting the genco from the utilities invariably came up in our meetings with investors.** Here, like we have heard from them for much of the past few years, management noted that while it continually evaluates just such a scenario, it does not make sense at this time – ExGen Cashflows to important, dis-synergies too high to split. **Management's primary pushback to any divestment of the genco rests upon the support its strong free cash flows provide the utilities and the dividend, with a split likely to lead to dis-synergies in their view.** For example, it is unclear at this time to both management and us whether the genco could maintain its investment grade status in the event of spin, to say nothing of the 50/50 split currently for business services between the genco and utilities. Furthermore, any split would come with remaining commitments for the nuclear plants, with a collateral posting likely in our view although management did note that it might not be as much as the ~\$200mm Talen posted for Susquehanna per each of their units but still a formidable hindrance. **Having said that, management noted that they continue to challenge themselves with this question, and remain open to the possibility that maybe down the road when the utilities are fully self-funding things the business could be split,** but this will take time to develop in our view, as clarity on the current flurry of policy activity for ExGen is likely to remain elusive through the next two years.

***M&A: CURRENT VALUATIONS PRESENT A HIGH HURDLE AND MANAGEMENT WILL EXERCISE PATIENCE FOR LARGER SCALE OPPORTUNITIES***

On the subject of M&A, management highlighted several times that the company's current multiple presents challenge for buying another utility and making the deal accretive, and while they could see broader consolidation in the

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industry over time, they remain patient for now. Essentially, POM and BGE were anomalous and purchased relatively cheaply, whereas many targets today would command too high a price. Management remains open to looking at opportunities, but even here we note they have been stymied of late – with the recent attempt to acquire the former FirstEnergy retail business from FirstEnergy Solutions (FES) in bankruptcy ultimately faltering in the face of a modified FES reorganization plan. Exelon's single large retail platform could see additional inorganic expansion over time in our view, but this remains a low probability/impact event given the strong competition for retail assets from IPPs and the sheer scale of the existing Constellation businesses (one of the largest in the nation by TWhs).

**VALUATION & RISKS****EXC - BUY - \$53.00***VALUATION*

Our \$53 price target is based on a sum-of-the-parts analysis. We assign ~\$21/share (for ExGen using a 5.5x weighted average EV/EBITDA applied to ExGen's various assets. We assign \$36/share for the regulated utilities combined based on our 2020E EPS of \$2.13 applied to a 17x regulated utility multiple, which is based on our regression model using the correlation between electric utility valuations and forward interest rate expectations over the past 30+ years. Subtracting out ~\$3 in parent drag and discounting back a full year, we arrive at our 12-month price target of \$53.

*RISKS*

Commodity price risk. If natural gas prices fall (rise), wholesale power prices will likely fall (rise), limiting (raising) Power margins. EXC is still inherently a long natural gas call with gas the marginal price setter in PJM.

The remaining risks center on the regulated utilities and transmission assets, which encompass traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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## Rating and Price Target History for: Exelon Corporation (EXC) as of 03-12-2019



Created by: BlueMatrix

## Rating and Price Target History for: FirstEnergy Corp. (FE) as of 03-12-2019



Created by: BlueMatrix

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Rating and Price Target History for: NRG Energy, Inc. (NRG) as of 03-12-2019



Created by: BlueMatrix

Rating and Price Target History for: Public Service Enterprise Group Inc. (PEG) as of 03-12-2019



Created by: BlueMatrix

Rating and Price Target History for: PPL Corporation (PPL) as of 03-12-2019



Created by: BlueMatrix

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**NEUTRAL (N)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

**SELL (S)** - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

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Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

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Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
BUY	199	56.21%	24	12.06%
NEUTRAL	145	40.96%	6	4.14%
SELL	10	2.82%	0	0.00%

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Ticker	Price	Rating
EIX	63.13	Buy
EXC	49.08	Buy
LNT	46.69	Neutral
PPL	32.38	Neutral

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## The Guggenheim Daily Transmission: EXC, EIX, LNT, PPL

**For Details on our upcoming Millstone call and Guggenheim's NDR schedule, please scroll down****What's New?****EXC** – Draft nuclear legislation unveiled by Representative Mehaffie**EXC** – Opponents already signal displeasure with PA ZEC legislation**EIX** – Edison International downgraded by Fitch to BBB-**LNT** – Consumer Advocate requests longer schedule for IPL case; Large Energy Group intervenes**PPL** – Attorney General of Kentucky files for data request on KU docket**EXC – Draft nuclear legislation unveiled by Representative Mehaffie**

- House Bill 11 would see the creation of a Tier III energy standard within the Alternative Energy Portfolio Standards (AEPS) that would set credits equal to the prevailing price for current Tier I credits
- The Bill sets a requirement for both LSEs and retail marketers to purchase RECs, with electric distribution companies required to purchase Tier III credits equivalent to 50% of their total load
- A clean resource (several technologies are listed, including nuclear) is specified as a zero emission source whose shutdown would negatively affect the emissions profile of the state, and is not subject to cost of service rates, among other requirements
- The program would begin July 1<sup>st</sup>, 2019
- Resources that participate would be required to do so for six periods, while those requiring \$40mm in unexpected capital costs would be excused from the remainder of its obligation
- The language also includes an accommodation for actions by PJM/FERC that would affect the status of units for capacity market eligibility
- Summary of the legislation available [HERE](#), full text [HERE](#)

**Guggenheim takeaway:** Generally very close to the draft proposal we detailed two weeks ago, with the Tier III pricing in this version retaining parity with Tier I resources. We are expecting a lively debate on this proposal given the stakes and cost at hand – Rep. Mehaffie has estimated the annual cost for the state at ~\$500mm. **We took EXC management on the road last week, and will be commenting much more thoroughly in conjunction with our thoughts thereas well as having key stakeholders in PA on a call with clients soon.**

**EXC – Opponents already signal displeasure with PA ZEC legislation**

- Within hours of Mehaffie's announcement, several organizations issued statements opposing the legislation with business and environmental concerns
- "This legislation – which would result in Pennsylvania immediately having the most coercive energy mandate law in the country – stands in stark contrast with our

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organization's energy policy, which provides for supporting competitive markets and opposing government actions that force, subsidize or mandate energy choices" - Pennsylvania Chamber of Business and Industry

- "Pennsylvanians need and deserve a forward-thinking, long-term strategy to fight climate change and invest in a clean energy economy centered around renewable energy. This legislation does nothing to advance the deployment of renewable energy in Pennsylvania and further locks us into increasingly expensive nuclear power from old and outdated equipment" - Sierra Club, Natural Resources Defense Council, Clean Air Council, PennFuture, PennEnvironment, Keystone Progress, Clean Water Action, Physicians for Social Responsibility Philadelphia/Pennsylvania, Conservation Voters of Pennsylvania and the Philadelphia Solar Energy Association

**Guggenheim takeaway:** See our thoughts above for more.

#### EIX – Edison International downgraded by Fitch to BBB-

- EIX issuer credit rating was downgraded by Fitch to BBB- from BBB+
- Outlook to watch remains negative

**Guggenheim takeaway:** This is another downgrade in a series of CA rating downgrades and corresponds to increased risks from wildfire liabilities and a lack of constructive regulatory and legislative fixes. S&P and Moodys ratings are BBB and Baa3 respectively, each agency on negative outlook. We cannot comment here given restrictions.

#### LNT – Consumer Advocate requests longer schedule for IPL case; Large Energy Group intervenes

- The consumer advocate has requested a lengthed schedule given the complexity of the rate cases filed, while the Large Energy Group (LEG) has filed to intervene
- Docket available [HERE](#)

**Guggenheim takeaway:** Heads up. We generally view LNT as having constructive relationships with industrial users, and we don't see this as a particularly contentious rate case at this time. Stay tuned...

#### PPL – Attorney General of Kentucky files for data request on KU docket

- The Attorney General of Kentucky [filed](#) for a data request on PPL's Kentucky Utilities docket for a rate increase

**Guggenheim takeaway:** For your awareness.

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Monday, March 11, 2019

Price as of Close		Monday, March 11, 2019		Guggenheim										Consensus										
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AEP	American Electric Power	40.7	Neutral	\$78	\$82.60	3.3%	62%	493	4.17	4.44	4.71	4.93	19.8	18.6	17.5	16.8	4.13	4.40	4.67	5.00	20.0	18.8	17.7	16.5
ALE	ALLETE	4.3	Neutral	\$74	\$83.47	3.1%	64%	52	3.65	4.01	4.21	4.29	22.9	20.8	19.8	19.5	3.58	3.85	4.12	4.46	23.3	21.7	20.2	18.7
AVA	Avista*	2.7	Neutral	\$38	\$41.01	4.0%	79%	66	1.89	2.05	2.23	2.41	21.7	20.0	18.4	17.0	2.04	2.15	2.38	2.45	20.1	19.1	17.2	16.7
CMS	CMS Energy	15.6	Neutral	\$53	\$54.95	3.0%	61%	283	2.50	2.69	2.88	3.08	22.0	20.4	19.1	17.9	2.50	2.68	2.87	3.07	22.0	20.5	19.1	17.9
DUK	Duke Energy	65.7	Buy	\$94	\$90.36	4.3%	75%	727	5.00	5.26	5.57	5.91	18.1	17.2	16.2	15.3	4.96	5.23	5.46	5.86	18.2	17.3	16.5	15.4
ED	Consolidated Edison	27.1	Neutral	\$82	\$84.27	3.6%	66%	321	4.36	4.60	4.75	4.92	19.3	18.3	17.7	17.1	4.33	4.56	4.76	4.90	19.5	18.5	17.7	17.2
EIX	Edison International*	20.6	Buy	\$69	\$63.13	4.3%	56%	326	4.58	4.90	5.34	5.72	13.8	12.9	11.8	11.0	4.50	4.77	4.98	5.34	14.0	13.2	12.7	11.8
ES	Eversource Energy	22.3	Neutral	\$72	\$70.28	3.2%	62%	317	3.49	3.68	3.86	4.05	20.1	19.1	18.2	17.4	3.47	3.69	3.87	4.13	20.3	19.1	18.1	17.0
ETR	Entergy	17.8	Buy	\$96	\$93.96	4.0%	69%	190	5.30	5.53	5.91	6.31	17.7	17.0	15.9	14.9	5.48	5.58	5.85	6.16	17.1	16.8	16.1	15.3
EVRG	Evergy	14.3	Buy	\$61	\$56.35	3.7%	66%	255	2.93	3.14	3.32	3.52	19.2	17.9	17.0	16.0	2.89	3.17	3.31	3.52	19.5	17.8	17.0	16.0
FE	FirstEnergy	21.9	Buy	\$46	\$41.36	3.8%	63%	530	2.56	2.51	2.66	2.81	16.2	16.4	15.5	14.7	2.56	2.50	2.62	2.77	16.1	16.5	15.8	14.9
LNT	Alliant Energy	11.0	Neutral	\$41	\$46.69	3.2%	64%	236	2.24	2.37	2.50	2.69	20.8	19.7	18.7	17.4	2.26	2.40	2.53	2.68	20.7	19.5	18.4	17.4
PNW	Pinnacle West	10.6	Neutral	\$89	\$94.12	3.4%	63%	112	4.84	5.04	5.28	5.63	19.4	18.7	17.8	16.7	4.85	5.07	5.34	5.51	19.4	18.6	17.6	17.1
POR	Portland General Electric	4.6	Neutral	\$44	\$52.02	3.1%	63%	89	2.43	2.54	2.68	2.75	21.4	20.5	19.4	18.9	2.45	2.57	2.70	2.75	21.3	20.3	19.2	18.9
PPL	PPL Corporation	23.3	Neutral	\$29	\$32.38	5.6%	71%	721	2.44	2.58	2.74	2.85	13.2	12.6	11.8	11.4	2.43	2.54	2.56	2.85	13.3	12.7	12.7	11.4
SO	Southern Company	53.2	Neutral	\$44	\$51.40	4.9%	81%	1035	3.05	3.15	3.31	3.46	16.9	16.3	15.5	14.8	3.03	3.13	3.24	3.46	17.0	16.4	15.8	14.9
WEC	WEC Energy	24.3	Buy	\$76	\$77.15	3.2%	67%	315	3.50	3.73	3.98	4.26	22.0	20.7	19.4	18.1	3.51	3.74	3.97	4.24	22.0	20.6	19.5	18.2
*Average (Excl. EIX, PPL for P/E)						3.5%	63%						19.8	18.8	17.8	16.8					19.8	18.8	17.7	16.8
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NI	NiSource	10.3	Buy	\$29	\$27.78	2.9%	61%	372	1.32	1.37	1.47	1.58	21.1	20.3	18.9	17.5	1.31	1.39	1.47	1.58	21.2	19.9	18.8	17.6
NJR	New Jersey Resources	4.5	Sell	\$39	\$50.14	2.4%	60%	89	1.99	2.19	2.36	2.54	25.2	22.8	21.2	19.8	2.10	2.25	2.32	2.54	23.9	22.2	21.6	19.7
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.17	2.9%	86%	29	2.21	2.58	2.68	2.74	29.1	24.9	23.9	23.4	2.32	2.53	2.61	2.71	27.6	25.4	24.6	23.7
SR	Spire	4.0	Neutral	\$77	\$79.78	3.0%	64%	51	3.74	3.89	4.01	4.28	21.3	20.5	19.9	18.6	3.74	3.87	3.98	4.30	21.4	20.6	20.1	18.6
Average						3.0%	68%						24.2	22.1	21.0	19.8					23.5	22.0	21.3	19.9
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
EXC	Exelon	47.6	Buy	\$53	\$49.08	2.9%	45%	970	3.16	3.25	3.17	3.21	15.5	15.1	15.5	15.3	3.15	3.17	3.15	3.36	15.6	15.5	15.6	14.6
PEG	PSEG	29.7	Buy	\$62	\$58.67	3.2%	58%	505	3.25	3.60	3.70	3.87	18.1	16.3	15.9	15.2	3.25	3.54	3.65	3.88	18.1	16.6	16.1	15.1
Average						3.1%	52%						16.8	15.7	15.7	15.2					16.8	16.0	15.8	14.9
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.7	Buy	\$51	\$41.79	0.3%	0%	281	1,975	1,858	1,900	1,936	8.8	9.0	8.5	8.4	1,960	1,888	1,827	1,936	8.6	8.7	8.7	NA
VST	Vistra Energy	12.3	Buy	\$39	\$25.25	2.0%	0%	486	3,367	3,472	3,612	3,770	6.9	6.6	6.2	5.7	3,366	3,355	3,185	3,733	6.5	6.4	6.1	NA
Average													7.8	7.8	7.4	7.0					7.6	7.5	7.4	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.3	Buy	\$33	\$30.43	3.8%	69%	501	1.70	1.89	2.02	2.13	17.9	16.1	15.1	14.3	1.67	1.82	1.94	2.13	18.2	16.7	15.7	14.3
D	Dominion	61.7	Buy	\$82	\$76.32	4.8%	86%	808	4.24	4.44	4.68	4.92	18.0	17.2	16.3	15.5	4.21	4.41	4.65	4.94	18.1	17.3	16.4	15.5
DTE	DTE Energy	22.5	Buy	\$127	\$123.69	3.0%	60%	182	6.26	6.72	7.21	7.63	19.7	18.4	17.2	16.2	6.24	6.58	7.04	7.52	19.8	18.8	17.6	16.5
NEE	NextEra	90.6	Buy	\$205	\$189.50	2.6%	58%	478	8.63	9.19	9.91	10.52	22.0	20.6	19.1	18.0	8.40	9.07	9.75	10.49	22.6	20.9	19.4	18.1
OGE	OGE Energy	8.5	Neutral	\$41	\$42.74	3.5%	70%	200	2.14	2.30	2.41	2.51	20.0	18.6	17.7	17.0	2.15	2.31	2.42	2.51	19.9	18.5	17.7	17.0
SRE	Sempra Energy	33.8	Buy	\$133	\$123.19	3.2%	64%	274	6.10	7.26	7.66	7.96	20.2	17.0	16.1	15.5	5.99	7.11	7.74	7.96	20.6	17.3	15.9	15.5
Average						3.4%	68%						19.6	18.0	16.9	16.1					19.9	18.3	17.1	16.1
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AWK	American Water Works	18.8	Neutral	\$96	\$104.03	1.9%	54%	181	3.61	3.96	4.27	4.60	28.8	26.3	24.3	22.6	3.59	3.89	4.24	4.66	28.9	26.8	24.5	22.3
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.3	Neutral	\$11	\$15.20	5.3%	NA	183	1,026	1,056	1,063	1,076	9.1	9.2	9.1	9.4	993	1,060	1,090	NA	8.5	7.9	7.4	-
NEP	NextEra Energy Partners	2.6	Buy	\$56	\$46.05	4.4%	NA	56	1,393	1,560	1,811	1,981	7.8	7.4	6.8	0.0	1,148	1,287	1,481	1,981	9.5	9.0	8.4	NA

Note: We are currently restricted on PCG and SJJ

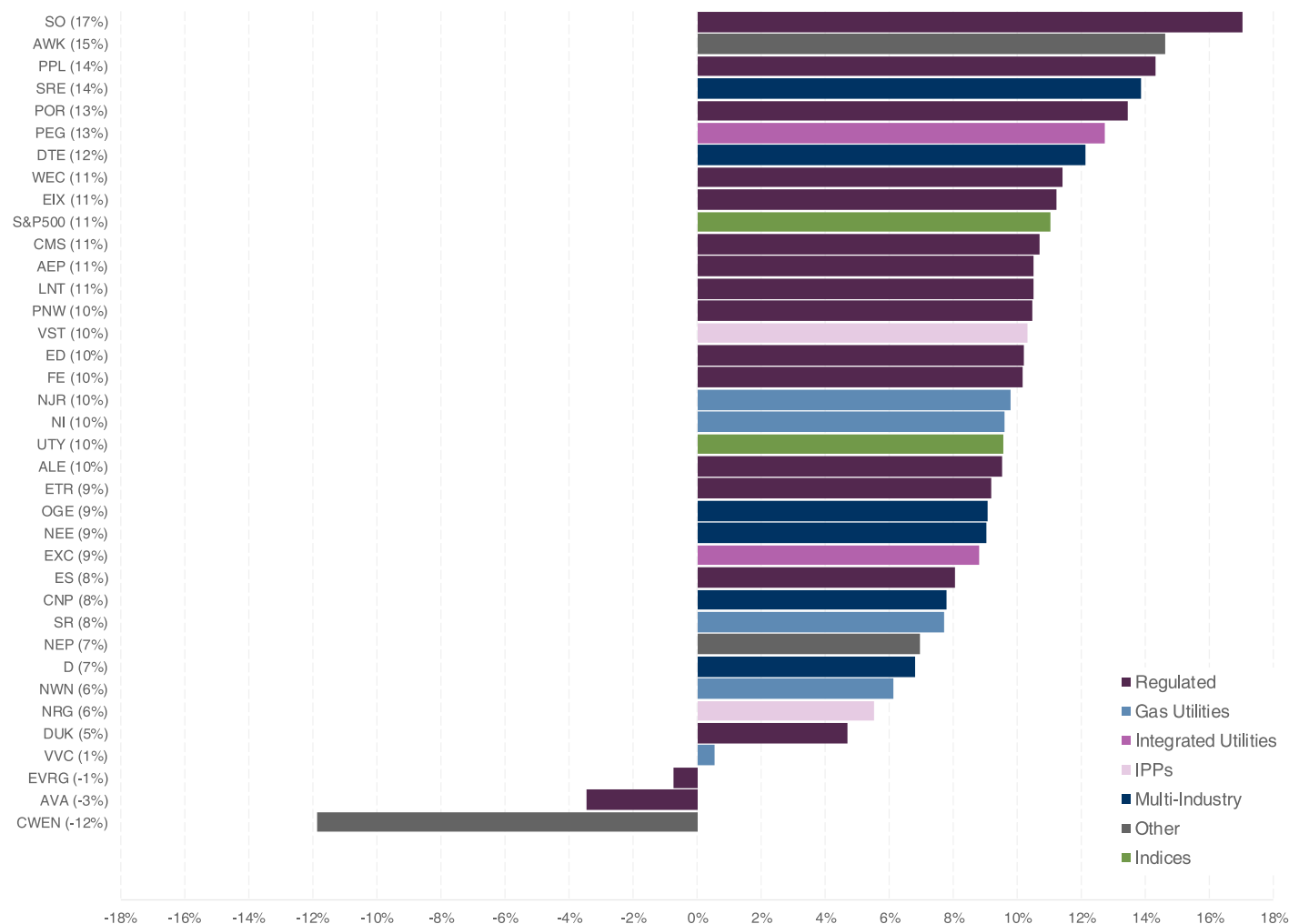
(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

## POWER, UTILITIES & ALTERNATIVE ENERGY

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### Share Price Performance (Year-to-Date)

#### Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

**Source:** Bloomberg, Guggenheim Securities, LLC estimates.

**Guggenheim 2019 Non Deal Roadshow Schedule****GUGGENHEIM**Innovative Solutions.  
Enduring Values.<sup>SM</sup>

Equity Research | Corporate Access

**Conference Call: Millstone Discussion | Connecticut Un-Quarked with Lee Hoffman**

Please join us for a conversation on Millstone nuclear power plant's contract negotiations and Connecticut's zero carbon RFP, all ahead of the March 15<sup>th</sup> ISO-New England de-listing deadline.

**Date and Time**

Thursday, March 14, 2019  
1:00pm ET

**Topics**

- Informative discussion with a local Connecticut zero carbon policy expert and vested stakeholder who represents clients in this process
- Unpacking historical precedents in the negotiation process between local CT utilities and zero carbon generators
- CT and New England clean energy policy initiatives, recent gubernatorial transition, and thoughts on the new CT DEEP Chair and various other important parties to think about.
- Thoughts on Millstone nuclear power plant negotiations with DEEP, Eversource (ES) and Avangrid (AGR), potential contract structure for CT's zero carbon RFP, outcome scenario etc..
- What will be the ultimate outcome and endgame?

**Call Format**

45-60 minute session for speaker discussion followed by audience Q&A

**Dial-in**

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

**Speaker Bio**

**Lee D. Hoffman** is a partner and practices with the law firm of Pullman & Comley, LLC. Mr. Hoffman is representing other companies who won projects in the current zero carbon RFP and has over 25 years of experience before the applicable authorities. He has essentially represented clients in every clean energy RFP conducted by the state of CT. He is chair of the firm's Environmental, Energy and Telecommunications Department and is a member of the firm's Executive Committee. Mr. Hoffman litigates and advises clients in the areas of environmental law, energy and utility matters and toxic tort suits.

**Participating Guggenheim Analysts**

**Shar Pourreza**, *Managing Director – Power, Utilities & Alternative Energy*

**Important Disclosures for Subject Companies**

<https://guggenheimsecurities.bluematrix.com/sellside/Disclosures.action>

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	TBD	SJI	9/5	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/12	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	AR	D-18-046-FR	Commission order expected in FRP proceeding
03/13	ED	Electric Rate Case	CECONY	NY	19-E-0065 / 19-G-0066	Procedural Conference
03/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor comments filed and served (Alternative)
03/15	EIX	Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Opening Briefs Filed
03/19	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for pre-trial motions
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention
4/1-30	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Decision expected
04/05	CMS	Gas Rate Case	Consumers Energy Co.	MI	C-U-20322	Staff and intervenor testimony due
04/12		Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Reply Briefs Filed
04/17	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	OG&E to provide six month update
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Discovery Cutoff for Direct Testimony
04/22	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for filing Responsive Testimony for PUD, AG and
04/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Reply Briefs (RTW)

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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**Key Research****Guggenheim's Forward Commodity Curves**

- [Forward Commodity Curves for Power & Utility Modeling](#)

**Key Industry Research**

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

**Key Company Research**

1. [WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Back Burner](#)
2. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
3. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
4. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
5. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
6. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
7. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
8. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
9. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
10. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
24. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
27. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
28. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
29. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
30. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
31. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
32. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
33. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)

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34. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
35. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
36. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
37. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
38. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
39. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
40. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
41. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Rating and Price Target History for: Edison International (EIX) as of 03-11-2019



Created by: BlueMatrix

## Rating and Price Target History for: Exelon Corporation (EXC) as of 03-11-2019



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## Rating and Price Target History for: Alliant Energy Corporation (LNT) as of 03-11-2019



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## Rating and Price Target History for: PPL Corporation (PPL) as of 03-11-2019



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**BUY (B)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

**NEUTRAL (N)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

**SELL (S)** - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

**NR** - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

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Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

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			Count	Percent
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NEUTRAL	145	40.96%	5	3.45%
SELL	10	2.82%	0	0.00%

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

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## The Guggenheim Daily Transmission: NEP, WEC, DUK, EXC, Santee Cooper, Ohio, Washington

**For Guggenheim's NDR schedule, please scroll down****What's New?****NEP – NEP/KKR Deal – We Like and Potentially More to Come – NEE Committed, NEP Can Be Self-Funded and as a Perpetual Grower (see our note [HERE](#))****WEC NDR: Putting the WEC in WECC; Western NDR Highlights a Premium Utility with Valuation Concerns on Backburner (see our note [HERE](#))****DUK – FERC reconsidering decision on Constitution pipeline****EXC – More PA lawmakers reportedly open to nuclear legislation, though consensus elusive****EXC – Industrial customers express concern with PA nuclear proposals****DUK – SC President looking to take PURPA to FERC****Santee Cooper – SCANA shareholder lawyer says executives deliberately lied****Ohio – Study finds coal ash contamination widespread in Ohio Valley****Washington – WA Senate passes bill to stop use of coal power plants by 2025**

Ticker	Price	Rating
AVA	40.16	Neutral
DUK	89.88	Buy
EXC	48.45	Buy
NEP	44.60	Buy
WEC	76.26	Buy

**DUK – FERC reconsidering decision on Constitution pipeline**

- The pipe has been sidelined since a 2016 decision by the NY State Department of Environmental conservation denied a water quality certification for stream crossing.
- In a motion granted by the DC Circuit Court on Feb 28<sup>th</sup> FERC noted that it is appropriate to reconsider orders in which a state used water quality certifications to hold up a federal license.

***Guggenheim takeaway:** Small for DUK but interesting that FERC is going to challenge the NY water permit decision. Good data point to follow though not very material for DUK.***EXC – More PA lawmakers reportedly open to nuclear legislation, though consensus elusive**

- According to [reports](#), Democratic and Republican lawmakers are hinting at supporting the state's nuclear resources, provided any subsidies come with guarantees, price controls, and/or 'concessions' for the gas industry.
- "The crisis is here and we need ... to deal with it" - Rep. Carolyn Comitta, D-Chester

***Guggenheim takeaway:** The political process at its best and worst, we expect more reports like these to emerge as the Assembly gets into the nitty gritty of what is needed once the official legislation is floated later this week. We expect some horse trading around the value of the subsidy and the tenor of the program, but it is also clear to us from some comments that lawmakers remain hesitant over early endorsements of anything that will raise costs. Again we point out that the gas lobby also remains a formidable obstacle in our view, but we also think the nuclear labor lobby is going all out. The Governor, who has been mum so far on the issue, may be the keystone in this situation, in our view. Stay tuned...***EXC – Industrial customers express concern with PA nuclear proposals**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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- The Industrial Energy [Consumers](#) of Pennsylvania (IECPA) have written a letter to the PA General Assembly expressing their concern with the proposed legislation to provide subsidies directly to nuclear units in the state, citing their inability to pass higher energy costs along in business 'exposed to global trade.'
- "However, we do not support a unique subsidy for those plants. While increasing electricity cost on households and small businesses are bad enough, the brunt of the impact will be felt by large-scale users of electricity, including our manufacturers, schools, transit systems and city governments."

**Guggenheim takeaway:** See above for our thoughts.

#### DUK – SC President looking to take PURPA to FERC

- DUK's SC President Kodwo Ghartey-Tagoe [said](#) "I would like to see the law modernized."
- The law requires utilities to buy power from qualifying facilities or renewable generators with capacity of 80MW or less with power rates based on the utilities avoided costs.
- Ghartey-Tagoe noted, "unfortunately the way its been implemented some of our customers have ended up overpaying for the power that comes from PURPA projects."

**Guggenheim takeaway:** Could be a positive for rate payers as Ghartey-Tagoe's version might result in lower prices if PURPA power prices are set differently – time will tell. FERC Chairman Neil Chatterjee has also pointed towards updates to PURPA as one of his priorities. Still in the early innings, but something worth tracking since it could potentially mean more rate based renewables at the utilities vs third party providers.

#### Santee Cooper – SCANA shareholder lawyer says executives deliberately lied

- A lawyer for SCANA [shareholders](#) says SCG executives deliberately lied to investors about its nuclear construction project.

**Guggenheim takeaway:** This ship has sailed but headlines continue. For your awareness.

#### Ohio – Study finds coal ash contamination widespread in Ohio Valley

- A new [study](#) shows that 90% of regulated coal ash repositories are leaking unsafe levels of toxic chemicals – this includes ash sites at over 30 coal fired plants in the Ohio Valley.

**Guggenheim takeaway:** For your awareness. Could lead to more coal ash clean up agreements, we recently saw a balanced coal ash clean up agreement in VA. For more see [HERE](#).

#### Washington – WA Senate passes bill to stop use of coal power plants by 2025

- Senate Bill 5116 requires utilities to stop using coal-generated power by the end of 2025 and make all retail sales of electricity greenhouse gas-neutral by 2030.
- WA has one coal-fired plant, 1,376-MW Centralia plant in Lewis County, which is due to be retired by 2025.

**Guggenheim takeaway:** The bill will not affect in-state coal generation as the last coal plant is due to shut down before the 2025 deadline. It may however impact out of state coal plants like Colstrip (part owned by AVA). The WA-UTC (regulator) has been working to implement the state's clean energy agenda and balance consumer interests. We hosted one of the state's commissioners at our meeting noted [here](#).

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Monday, March 04, 2019

Price as of Close		Monday, March 04, 2019		Guggenheim												Consensus								
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AEP	American Electric Power	40.2	Neutral	\$78	\$81.42	3.4%	62%	493	4.17	4.44	4.71	4.93	19.5	18.3	17.3	16.5	4.13	4.39	4.65	5.00	19.7	18.5	17.5	16.3
ALE	ALLETE	4.3	Neutral	\$74	\$83.04	3.1%	64%	52	3.65	4.01	4.21	4.29	22.8	20.7	19.7	19.4	3.64	3.89	4.11	4.46	22.8	21.3	20.2	18.6
AVA	Avista*	2.6	Neutral	\$38	\$40.16	4.1%	79%	66	1.89	2.05	2.23	2.41	21.2	19.6	18.0	16.7	2.04	2.15	2.38	2.45	19.7	18.7	16.9	16.4
CMS	CMS Energy	15.3	Neutral	\$53	\$54.15	3.0%	61%	283	2.50	2.69	2.88	3.08	21.7	20.1	18.8	17.6	2.50	2.68	2.87	3.07	21.7	20.2	18.9	17.6
DUK	Duke Energy	65.3	Buy	\$94	\$89.88	4.4%	75%	727	5.00	5.26	5.57	5.91	18.0	17.1	16.1	15.2	4.96	5.22	5.47	5.86	18.1	17.2	16.4	15.3
ED	Consolidated Edison	26.7	Neutral	\$82	\$83.20	3.7%	66%	321	4.36	4.60	4.75	4.92	19.1	18.1	17.5	16.9	4.32	4.55	4.76	4.90	19.3	18.3	17.5	17.0
EIX	Edison International*	20.2	Buy	\$69	\$62.09	4.4%	56%	326	4.58	4.90	5.34	5.72	13.6	12.7	11.6	10.9	4.51	4.76	5.01	5.34	13.8	13.0	12.4	11.6
ES	Eversource Energy	21.9	Neutral	\$72	\$68.97	3.3%	62%	317	3.49	3.68	3.86	4.05	19.8	18.7	17.9	17.0	3.47	3.69	3.87	4.13	19.9	18.7	17.8	16.7
ETR	Entergy	16.8	Buy	\$96	\$92.64	4.1%	69%	181	5.30	5.53	5.91	6.31	17.5	16.8	15.7	14.7	5.61	5.62	5.86	6.16	16.5	16.5	15.8	15.0
EVRG	Evergy	14.1	Buy	\$61	\$55.27	3.8%	67%	255	2.93	3.14	3.32	3.52	18.9	17.6	16.6	15.7	2.89	3.17	3.31	3.52	19.1	17.5	16.7	15.7
FE	FirstEnergy	21.6	Buy	\$46	\$40.74	3.9%	63%	530	2.56	2.51	2.66	2.81	15.9	16.2	15.3	14.5	2.56	2.50	2.62	2.77	15.9	16.3	15.5	14.7
LNT	Alliant Energy	10.9	Neutral	\$41	\$46.28	3.2%	63%	236	2.24	2.37	2.50	2.69	20.7	19.5	18.5	17.2	2.26	2.40	2.53	2.68	20.5	19.3	18.3	17.2
PNW	Pinnacle West	10.4	Neutral	\$89	\$93.00	3.4%	63%	112	4.84	5.04	5.28	5.63	19.2	18.5	17.6	16.5	4.85	5.07	5.34	5.51	19.2	18.4	17.4	16.9
POR	Portland General Electric	4.5	Neutral	\$44	\$50.78	3.2%	63%	89	2.43	2.54	2.68	2.75	20.9	20.0	18.9	18.5	2.45	2.57	2.70	2.75	20.8	19.8	18.8	18.5
PPL	PPL Corporation	23.3	Neutral	\$29	\$32.37	5.6%	70%	721	2.44	2.58	2.74	2.85	13.3	12.5	11.8	11.4	2.43	2.54	2.55	2.85	13.3	12.7	12.7	11.4
SO	Southern Company	51.8	Neutral	\$44	\$50.10	5.1%	81%	1035	3.05	3.15	0.92	3.46	16.4	15.9	54.5	14.5	3.03	3.13	3.24	3.46	16.5	16.0	15.4	14.5
WEC	WEC Energy	24.1	Buy	\$76	\$76.26	3.3%	67%	315	3.50	3.73	3.98	4.26	21.8	20.4	19.2	17.9	3.51	3.74	3.97	4.24	21.7	20.4	19.2	18.0
*Average (Excl. EIX, PPL for P/E)						3.6%	63%						19.5	18.5	20.1	16.6					19.4	18.5	17.5	16.6
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NI	NiSource	10.0	Buy	\$29	\$26.96	3.0%	61%	372	1.32	1.37	1.47	1.58	20.4	19.7	18.3	17.1	1.31	1.40	1.47	1.58	20.5	19.3	18.3	17.1
NJR	New Jersey Resources	4.4	Sell	\$39	\$49.15	2.4%	60%	89	1.99	2.19	2.36	2.54	24.7	22.4	20.8	19.4	2.10	2.25	2.32	2.54	23.4	21.8	21.2	19.4
NWN	NW Natural Gas	1.9	Sell	\$49	\$65.53	2.9%	86%	29	2.21	2.58	2.68	2.74	29.7	25.4	24.5	23.9	2.39	2.55	2.64	2.71	27.4	25.7	24.8	24.2
SR	Spire	4.0	Neutral	\$77	\$79.72	3.0%	65%	51	3.74	3.89	4.01	4.28	21.3	20.5	19.9	18.6	3.74	3.87	3.98	4.30	21.3	20.6	20.1	18.5
Average						3.0%	68%						24.0	22.0	20.9	19.7					23.2	21.8	21.1	19.8
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
EXC	Exelon	47.0	Buy	\$53	\$48.45	3.0%	45%	970	3.16	3.25	3.17	3.21	15.3	14.9	15.3	15.1	3.15	3.17	3.15	3.36	15.4	15.3	15.4	14.4
PEG	PSEG	30.1	Buy	\$62	\$59.58	3.2%	58%	505	3.25	3.60	3.70	3.87	18.3	16.6	16.1	15.4	3.25	3.54	3.66	3.88	18.4	16.8	16.3	15.4
Average						3.1%	52%						16.8	15.7	15.7	15.2					16.9	16.1	15.8	14.9
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.7	Buy	\$51	\$41.71	0.3%	0%	281	1,975	1,858	1,900	1,900	9.3	9.6	9.0	9.0	1,994	1,882	1,836	1,936	8.5	8.8	8.6	NA
VST	Vistra Energy	12.8	Buy	\$39	\$25.43	2.0%	0%	504	3,367	3,472	3,612	3,612	7.1	6.7	6.3	6.1	3,366	3,355	3,162	3,654	6.7	6.5	6.4	NA
Average													8.2	8.1	7.7	7.6					7.6	7.7	7.5	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.2	Buy	\$33	\$30.34	3.9%	69%	501	1.70	1.89	2.02	2.13	17.8	16.1	15.0	14.2	1.67	1.83	1.94	2.13	18.1	16.6	15.7	14.2
D	Dominion	60.8	Buy	\$82	\$75.27	4.9%	87%	808	4.24	4.44	4.68	4.92	17.8	17.0	16.1	15.3	4.21	4.41	4.66	4.94	17.9	17.1	16.2	15.2
DTE	DTE Energy	22.4	Buy	\$127	\$123.11	3.1%	60%	182	6.26	6.72	7.21	7.63	19.7	18.3	17.1	16.1	6.24	6.59	7.04	7.52	19.7	18.7	17.5	16.4
NEE	NextEra	90.0	Buy	\$205	\$188.24	2.7%	58%	478	8.63	9.19	9.91	10.52	21.8	20.5	19.0	17.9	8.40	9.07	9.75	10.49	22.4	20.8	19.3	17.9
OGE	OGE Energy	8.5	Neutral	\$41	\$42.34	3.6%	70%	200	2.14	2.30	2.41	2.51	19.8	18.4	17.6	16.9	2.15	2.30	2.42	2.51	19.7	18.4	17.5	16.9
SRE	Sempra Energy	33.2	Buy	\$133	\$121.33	3.2%	64%	274	6.10	7.26	7.66	7.96	19.9	16.7	15.8	15.2	5.98	7.11	7.72	7.96	20.3	17.1	15.7	15.2
Average						3.5%	68%						19.5	17.8	16.8	15.9					19.7	18.1	17.0	16.0
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
AWK	American Water Works	18.4	Neutral	\$96	\$101.71	1.9%	54%	181	3.61	3.96	4.27	4.60	28.2	25.7	23.8	22.1	3.59	3.89	4.24	4.66	28.3	26.2	24.0	21.8
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
						Yield	Payout		'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.2	Neutral	\$11	\$14.81	8.9%	NA	183	1,026	1,056	1,063	1,063	9.0	9.2	9.0	9.4	993	1,060	1,090	NA	8.4	7.9	7.3	-
NEP	NextEra Energy Partners	2.5	Buy	\$56	\$44.60	4.6%	NA	56	1,393	1,560	1,811	1,811	8.0	7.7	7.3	0.0	1,125	1,286	1,496	1,981	9.9	9.3	8.9	NA

Note: We are currently restricted on PCG and SJJ

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

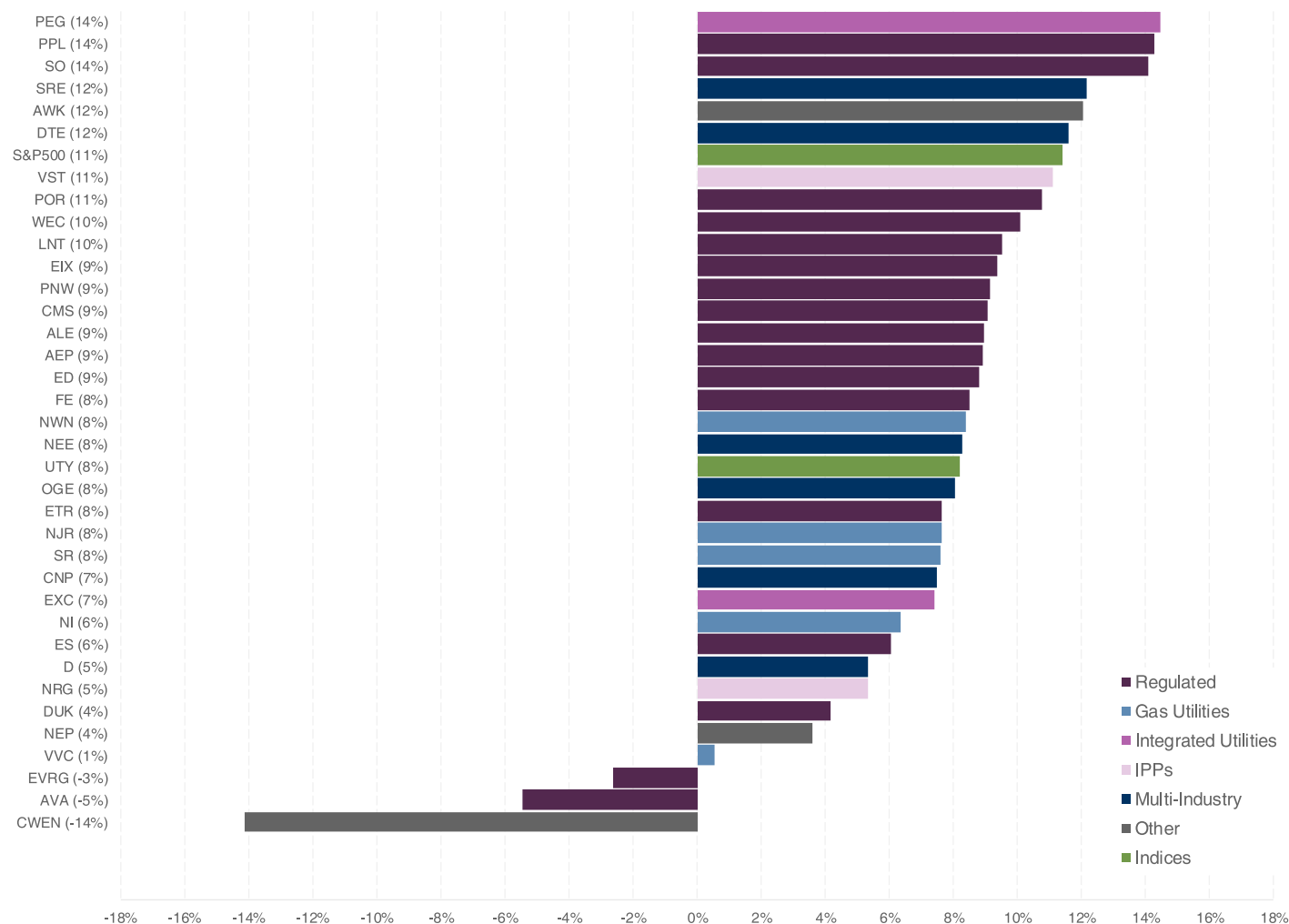
Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES & ALTERNATIVE ENERGY

March 5, 2019

### Share Price Performance (Year-to-Date)

#### Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

**Source:** Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	TBD	SJI	9/5	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due
03/11	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	Rebuttal testimony due
03/11	CMS	IRP	Consumers Energy Co.	MI	U-20165	Replies to Exceptions
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/12	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	AR	D-18-046-FR	Commission order expected in FRP proceeding
03/13	ED	Electric Rate Case	CECONY	NY	19-E-0065 / 19-G-0066	Procedural Conference
03/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor comments filed and served (Alternative)
03/15	EIX	Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Opening Briefs Filed
03/19	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for pre-trial motions
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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**Key Research****Guggenheim's Forward Commodity Curves**

- [Forward Commodity Curves for Power & Utility Modeling](#)

**Key Industry Research**

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

**Key Company Research**

1. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
2. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
3. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
4. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
5. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
6. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
7. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
8. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
9. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
10. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
11. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
12. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
13. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
14. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
15. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
16. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
17. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
18. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
19. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
20. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
21. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
22. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
23. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
24. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
25. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
26. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
27. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
28. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
29. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
30. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
31. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
32. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
33. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)

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34. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
35. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
36. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
37. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
38. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
39. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
40. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Rating and Price Target History for: Exelon Corporation (EXC) as of 03-04-2019



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## Rating and Price Target History for: NextEra Energy Partners, LP (NEP) as of 03-04-2019



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SELL	9	2.59%	0	0.00%

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

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## The Guggenheim Daily Transmission: NWN, PPL, LNT, D, WEC, EXC

**For Guggenheim's NDR schedule, please scroll down****What's New?****NWN – 2018 Ends with a Beat, Multiple Moving Parts to Watch in '19 (see our note [HERE](#))****PPL – Reached a settlement for LG&E and KU rate case****LNT – IPL files electric and gas rate cases with IUB****D – 500kv transmission line energized but possible permitting issues****LNT/WEC – Wisconsin Governor Tony Evers proposes 100% renewable by 2050 goal****EXC – Illinois legislation proposal would set 100% renewable by 2050 goal**

Ticker	Price	Rating
D	74.79	Buy
EXC	48.54	Buy
LNT	45.87	Neutral
NWN	64.90	Sell
PPL	32.26	Neutral
WEC	76.03	Buy

**PPL – Reached a settlement for LG&E and KU rate case**

- PPL has researched an agreement with intervenors for its base rate increase for LG&E and KU
- The proposed agreement provides annual revenue increases of \$4mm and \$58mm and \$20mm for LG&E, KU and LG&E gas rates, respectively. The proposal assumes a 9.725% ROE.
- Rates effective on 5/1.
- Hearings on 3/5, order expected 2Q 2019.
- KPSC Case No. 2018-00295 for LG&E and Case No. 2018-00294 for KU.
- Filings located: [HERE](#)
- Stipulation with multiple parties including AG and various groups. Parties to the stipulation found [HERE](#)

**Guggenheim takeaway:** *Nothing material needs to be litigated, in our view. ROE seems a little bit lower than the national average but reaching a settlement was a good step in the right direction and certainly tax reform helped mitigate the ask. The staff isn't a party to the settlement but it is our understanding that the staff does not typically file testimony or get involved separately from the commission in KY.*

**LNT – IPL files electric and gas rate cases with IUB**

- Alliant's Iowa subsidiary Interstate Power and Light has filed rate requests for its electric and gas rates in the state, seeking a 9.8% ROE on an electric rate base of \$6bn, and a 10% ROE on a gas rate base of \$570mm.
- Both requests feature a 53% equity ratio (vs. current 49.02%).
- The IUB must issue a final decision within 10 months.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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- Release available [HERE](#).

**Guggenheim takeaway:** Completely as expected, and a long time in the works as LNT seeks to recover on a large tranche of its wind and gas capex. As we noted in our 4Q18 note (see [HERE](#)), the ask includes a higher equity layer which could in turn require LNT to issue additional equity in 2020. As we noted, management is planning on releasing more information on any 2020 equity needs as it gets closer to resolution at the IUB, so we don't expect any additional details before late summer/fall at this time. Stay tuned.

**D – 500kv transmission line energized but possible permitting issues**

- Dominion noted it is disappointed in a DC Circuit Court of Appeals decision for its Skiffes Creek transmission line.
- The line was put into service early last week.
- The U.S. Court of Appeals for DC ruled the Army Corps of Engineers [failed](#) to follow federal legal requirements and granted D a permit to begin construction without having an Environmental Impact Statement.
- The transmission line was built to increase reliability for a [peninsula](#) which is a constrained area that recently had its coal power plants retire.

**Guggenheim takeaway:** Noise, but local historical groups are pushing back on the EIS because the transmission line crosses the James River near Jamestown, VA. We caught up with D and they noted that the line is built, energized and delivering power right now; it is collecting revenue under its transmission rider and the company does not anticipate a change in revenue or rate base. **We recently hosted a series of investor meetings with D senior mgmt. and our note can be found [HERE](#).**

**LNT/WEC – Wisconsin Governor Tony Evers proposes 100% renewable by 2050 goal**

- The target was included in the Governor's budget, and would [reportedly](#) also include nuclear generation in its carbon reduction efforts.

**Guggenheim takeaway:** Not very surprising given our ongoing thesis that WI was ripe for an increase in the RPS following Evers' election. The top line number is large, but we remain on the lookout for reactions from lawmakers.

**EXC – Illinois legislation proposal would set 100% renewable by 2050 goal**

- Legislators in Illinois have [introduced](#) Senate Bill 2132, which would set a 45% 2030 RPS goal, on a path to 100% by 2050, and reportedly calls for a phase out of carbon in the power sector by 2030.

**Guggenheim takeaway:** Another state, another 100% RPS. It is unclear to us at this time how this legislation considers nuclear generation but we remain on the lookout for updates/modifications. As with WI, we expect the state to advance its clean goals this session, even if it is not the full 100% target.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Friday, March 01, 2019

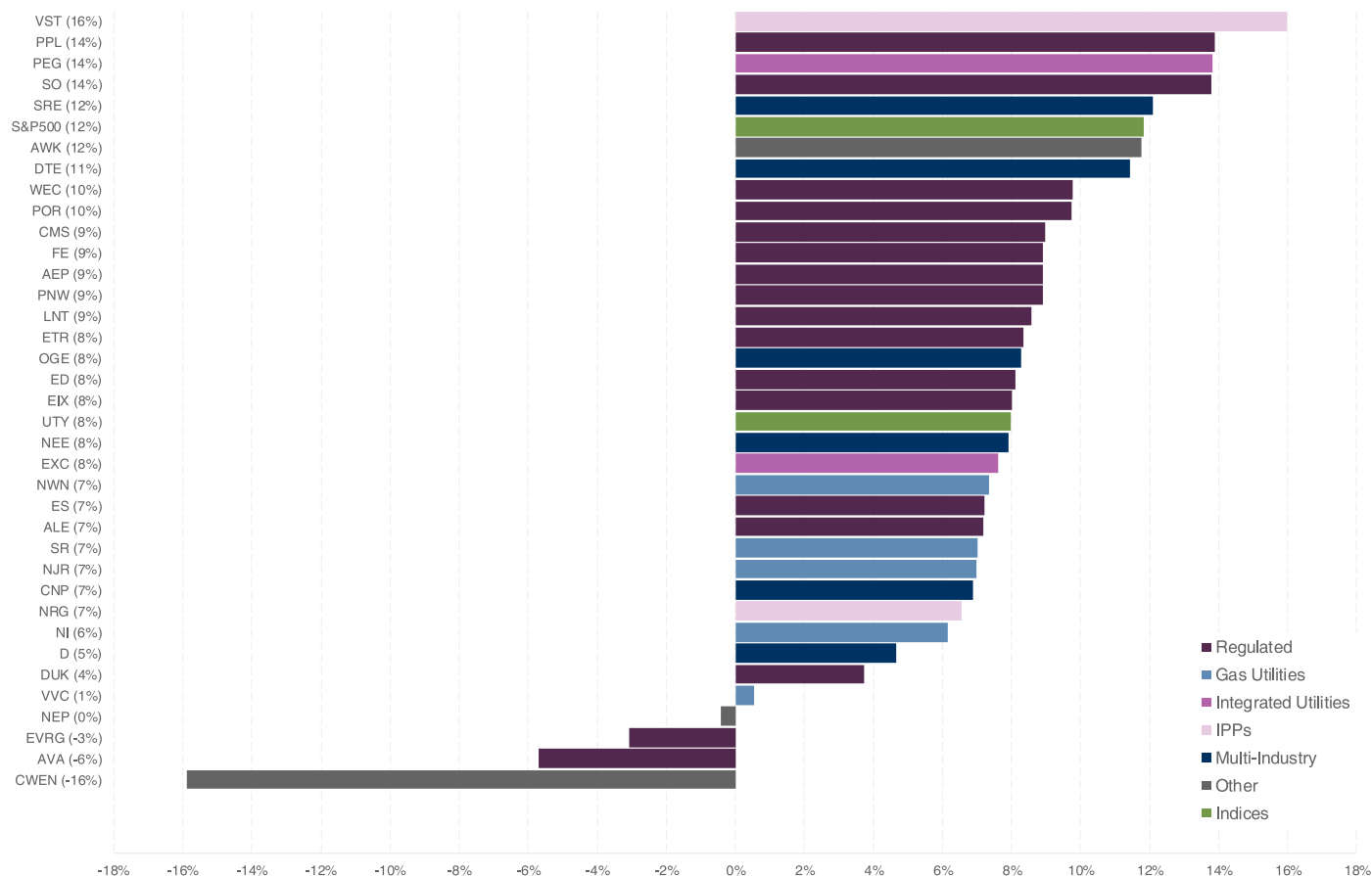
Price as of Close Friday, March 01, 2019									Guggenheim										Consensus										
Regulated Electric Utilities <sup>(1)</sup>			Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
										'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	40.2	Neutral	\$78	\$81.40	3.4%	62%	493	3.95	4.17	4.44	4.71	4.93	20.6	19.5	18.3	17.3	16.5	3.95	4.12	4.39	4.65	5.00	20.6	19.7	18.5	17.5	16.3	
ALE	ALLETE	4.2	Neutral	\$74	\$81.68	3.1%	64%	52	3.38	3.65	4.01	4.21	4.29	24.2	22.4	20.4	19.4	19.0	3.41	3.63	3.89	4.11	4.46	24.0	22.5	21.0	19.9	18.3	
AVA	Avista*	2.6	Neutral	\$38	\$40.06	4.1%	79%	66	2.07	1.89	2.05	2.23	2.41	19.4	21.2	19.5	18.0	16.6	2.07	2.02	2.15	2.38	2.45	19.4	19.8	18.6	16.8	16.4	
CMS	CMS Energy	15.3	Neutral	\$53	\$54.10	3.0%	61%	283	2.33	2.50	2.69	2.88	3.08	23.2	21.6	20.1	18.8	17.6	2.33	2.50	2.68	2.87	3.07	23.2	21.6	20.2	18.8	17.6	
DUK	Duke Energy	65.1	Buy	\$94	\$89.53	4.4%	75%	727	4.72	5.00	5.26	5.57	5.91	19.0	17.9	17.0	16.1	15.1	4.72	4.96	5.22	5.47	5.86	19.0	18.0	17.1	16.4	15.3	
ED	Consolidated Edison	26.5	Neutral	\$82	\$82.66	3.7%	66%	321	4.33	4.36	4.60	4.75	4.92	19.1	19.0	18.0	17.4	16.8	4.33	4.33	4.55	4.76	4.90	19.1	19.1	18.1	17.4	16.9	
EIX	Edison International*	20.0	Buy	\$69	\$61.31	4.4%	56%	326	4.15	4.58	4.90	5.34	5.72	14.8	13.4	12.5	11.5	10.7	4.15	4.50	4.77	5.02	5.30	14.8	13.6	12.9	12.2	11.6	
ES	Eversource Energy	22.1	Buy	\$72	\$69.74	3.3%	62%	317	3.25	3.49	3.68	3.86	4.05	21.5	20.0	19.0	18.1	17.2	3.29	3.47	3.69	3.87	4.13	21.2	20.1	18.9	18.0	16.9	
ETR	Entergy	16.9	Buy	\$96	\$93.25	4.1%	69%	181	7.31	5.30	5.53	5.91	6.31	12.8	17.6	16.9	15.8	14.8	7.31	5.61	5.62	5.86	6.16	12.8	16.6	16.6	15.9	15.1	
EVRG	Energy	14.0	Buy	\$61	\$55.03	3.8%	67%	255	2.67	2.93	3.14	3.32	3.52	20.6	18.8	17.5	16.6	15.6	2.67	2.90	3.17	3.31	3.52	20.6	19.0	17.4	16.6	15.7	
FE	FirstEnergy	21.7	Buy	\$46	\$40.90	3.8%	63%	530	2.59	2.56	2.51	2.66	2.81	15.8	16.0	16.3	15.4	14.6	2.59	2.57	2.52	2.65	2.77	15.8	15.9	16.2	15.4	14.8	
LNT	Alliant Energy	10.8	Neutral	\$41	\$45.87	3.3%	63%	236	2.17	2.24	2.37	2.50	2.69	21.1	20.5	19.4	18.3	17.1	2.17	2.26	2.40	2.53	2.68	21.1	20.3	19.1	18.1	17.1	
PNW	Pinnacle West	10.4	Neutral	\$89	\$92.78	3.4%	63%	112	4.54	4.84	5.04	5.28	5.63	20.4	19.2	18.4	17.6	16.5	4.54	4.85	5.07	5.34	5.51	20.4	19.1	18.3	17.4	16.9	
POR	Portland General Electric	4.5	Neutral	\$44	\$50.32	3.2%	63%	89	2.37	2.43	2.54	2.68	2.75	21.2	20.7	19.8	18.8	18.3	2.37	2.45	2.57	2.70	2.75	21.2	20.6	19.6	18.6	18.3	
PPL	PPL Corporation	23.3	Neutral	\$29	\$32.26	5.6%	70%	721	2.40	2.44	2.58	2.74	2.85	13.4	13.2	12.5	11.8	11.3	2.40	2.43	2.54	2.55	2.85	13.4	13.3	12.7	12.6	11.3	
SO	Southern Company	51.7	Neutral	\$44	\$49.98	5.1%	81%	1035	3.07	3.05	3.15	0.92	3.46	16.3	16.4	15.9	54.3	14.4	3.07	3.03	3.13	3.24	3.46	16.3	16.5	16.0	15.4	14.5	
WEC	WEC Energy	24.0	Buy	\$76	\$76.03	3.3%	67%	315	3.34	3.50	3.73	3.98	4.26	22.8	21.7	20.4	19.1	17.8	3.34	3.51	3.74	3.97	4.24	22.8	21.6	20.3	19.2	17.9	
*Average (Excl. EIX, PPL for P/E)						3.6%	63%								19.9	19.5	18.5	20.1	16.5						19.8	19.4	18.4	17.4	16.5
Regulated Gas Utilities <sup>(2)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
										'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	10.0	Buy	\$29	\$26.91	3.0%	61%	372	1.30	1.32	1.37	1.47	1.58	20.7	20.4	19.6	18.3	17.0	1.30	1.31	1.40	1.48	1.58	20.7	20.5	19.2	18.2	17.0	
NJR	New Jersey Resources	4.3	Sell	\$39	\$48.86	2.5%	60%	89	2.74	1.99	2.19	2.36	2.54	17.8	24.6	22.3	20.7	19.2	2.74	2.10	2.25	2.32	2.54	17.8	23.3	21.7	21.0	19.2	
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.90	2.9%	86%	29	2.33	2.21	2.58	2.68	2.74	27.9	29.4	25.2	24.2	23.7	2.33	2.41	2.58	2.64	2.71	27.9	26.9	25.2	24.6	23.9	
SR	Spire	4.0	Neutral	\$77	\$79.28	3.1%	65%	51	3.74	3.74	3.89	4.01	4.28	21.2	21.2	20.4	19.8	18.5	3.72	3.74	3.87	3.98	4.30	21.3	21.2	20.5	19.9	18.4	
Average						3.1%	68%								21.9	23.9	21.9	20.7	19.6						21.9	23.0	21.6	20.9	19.7
Integrated Utilities <sup>(3)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
										'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	47.1	Buy	\$53	\$48.54	3.0%	45%	970	3.12	3.16	3.25	3.17	3.21	15.6	15.4	14.9	15.3	15.1	3.12	3.15	3.17	3.15	3.36	15.6	15.4	15.3	15.4	14.4	
PEG	PSEG	29.9	Buy	\$62	\$59.25	3.2%	58%	505	3.12	3.25	3.60	3.70	3.87	19.0	18.2	16.5	16.0	15.3	3.12	3.25	3.54	3.66	3.86	19.0	18.2	16.8	16.2	15.3	
Average						3.1%	52%								17.3	16.8	15.7	15.7	15.2						17.3	16.8	16.0	15.8	14.9
Independent Power Producers (IPPs) <sup>(4)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
										'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	12.0	Buy	\$51	\$42.20	0.3%	0%	284	2,373	1,975	1,858	1,900	1,900	8.8	9.4	9.7	9.2	9.2	1,777	1,994	1,882	1,836	1,936	9.9	8.8	9.1	8.9	NA	
VST	Vistra Energy	13.4	Buy	\$39	\$26.55	1.9%	0%	504	2,800	3,367	3,472	3,612	3,612	8.6	7.2	6.9	6.5	6.3	2,760	3,357	3,332	3,155	3,654	8.5	6.9	6.8	6.6	NA	
Average															8.7	8.3	8.3	7.8	7.7						9.2	7.8	7.9	7.7	NA
Multi-Industry Utilities <sup>(5)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
										'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.1	Buy	\$33	\$30.17	3.9%	69%	501	1.60	1.70	1.89	2.02	2.13	18.9	17.7	16.0	14.9	14.2	1.60	1.68	1.83	1.92	2.02	18.9	18.0	16.5	15.7	14.9	
D	Dominion	60.4	Buy	\$82	\$74.79	4.9%	87%	808	4.04	4.24	4.44	4.68	4.92	18.5	17.6	16.8	16.0	15.2	4.05	4.22	4.41	4.66	4.94	18.5	17.7	17.0	16.1	15.1	
DTE	DTE Energy	22.4	Buy	\$127	\$122.90	3.1%	60%	182	6.30	6.26	6.72	7.21	7.63	19.5	19.6	18.3	17.0	16.1	6.30	6.24	6.59	7.04	7.52	19.5	19.7	18.7	17.5	16.4	
NEE	NexEra	89.7	Buy	\$205	\$187.56	2.7%	58%	478	7.83	8.63	9.19	9.91	10.52	24.0	21.7	20.4	18.9	17.8	7.70	8.40	9.07	9.75	10.49	24.4	22.3	20.7	19.2	17.9	
OGE	OGE Energy	8.5	Neutral	\$41	\$42.43	3.5%	70%	200	2.12	2.14	2.30	2.41	2.51	20.0	19.8	18.4	17.6	16.9	2.12	2.14	2.30	2.42	2.51	20.0	19.8	18.4	17.5	16.9	
SRE	Sempra Energy	33.2	Buy	\$133	\$121.26	3.2%	64%	274	5.57	6.10	7.26	7.66	7.96	21.8	19.9	16.7	15.8	15.2	5.57	5.98	7.11	7.72	7.96	21.8	20.3	17.1	15.7	15.2	
Average						3.5%	68%								20.4	19.4	17.8	16.7	15.9						20.5	19.6	18.0	17.0	16.1
Other			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
										'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	18.3	Neutral	\$96	\$101.44	1.9%	54%	181	3.30	3.61	3.96	4.27	4.60	30.7	28.1	25.6	23.8	22.1	3.30	3.59	3.89	4.24	4.66	30.7	28.2	26.1	23.9	21.8	
			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
										'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.1	Neutral	\$11	\$14.51	9.1%	NA	183	983	1,026	1,056	1,063	1,063	9.2	8.9	9.1	8.9	9.4	983	993	1,060	1,090	NA	8.5	8.3	7.8	7.3	-	
NEP	NexEra Energy Partners	2.4	Buy	\$56	\$42.87	4.8%	NA	56	1,106	1,393	1,560	1,811	1,811	9.1	7.8	7.5	7.2	0.0	981	1,125	1,286	1,496	1,981	11.4	9.7	9.1	8.7	NA	

POWER, UTILITIES & ALTERNATIVE ENERGY

March 4, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 4, 2019

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/28-3/1	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
ALE	4/2-4/4	TBD	SJI	9/5	NYC
DTE	4/5	Boston	SJI	9/5	Boston
POR	4/29-4/30	West Coast	ETR	9/12-9/13	TBD
VST	5/8-5/9	West Coast	CMS	11/21-11/22	Texas
SRE	5/13-5/15	West Coast			
DTE	5/29-5/30	NYC			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 4, 2019

## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
03/04	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Hearing to begin
03/04	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor testimony served
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due
03/11	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	Rebuttal testimony due
03/11	CMS	IRP	Consumers Energy Co.	MI	U-20165	Replies to Exceptions
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/12	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	AR	D-18-046-FR	Commission order expected in FRP proceeding
03/13	ED	Electric Rate Case	CECONY	NY	19-E-0065 / 19-G-0066	Procedural Conference
03/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor comments filed and served (Alternative)
03/15	EIX	Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Opening Briefs Filed
03/19	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for pre-trial motions
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019
03/27	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Hearing on the Merits
03/27	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent reply briefs/comments
03/29	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Briefs
Late March	D	Investor Day	Virginia Electric Power Co	VA	NA	Potential Analyst Day
04/01	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	OK	Ca-PUD201800140	Deadline for Intervention

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

March 4, 2019

**Key Research****Guggenheim's Forward Commodity Curves**

- [Forward Commodity Curves for Power & Utility Modeling](#)

**Key Industry Research**

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)

**Key Company Research**

1. [D: NDR – Coming Out Party Well Received - March Madness Continues](#)
2. [PEG 4Q Preview and Mini Drill-Down - Looking Good from All Angles](#)
3. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
4. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
5. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
6. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
7. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
8. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
9. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
10. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
11. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
12. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
13. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
14. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
15. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
16. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
17. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
18. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
19. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
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26. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
27. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
28. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
29. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
30. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
31. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
32. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
33. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)

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34. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
35. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
36. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
37. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
38. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
39. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
40. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)

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## The Guggenheim Daily Transmission: SRE, EXC, ERCOT, Policy

**For Guggenheim's NDR schedule, please scroll down**

### What's New?

**SRE – 4Q Beat Ends Year on High Note – Business Transformation, CA Utilities, Asset Sales in Focus for 2019 (see our note [HERE](#))****EXC – Draft legislation for PA ZECs surfaces in media reports****ERCOT – PUCT Staff propose changes to System-Wide Offer Cap circuit breaker****Policy – Report claims hydrogen produced via renewables 'cost competitive' in certain applications**

Ticker	Price	Rating
EXC	48.56	Buy
SRE	118.90	Buy

**EXC – Draft legislation for PA ZECs surfaces in media reports**

- A report by NPR's [State Impact](#) on Monday released a confidential draft of legislation to expand PA's RPS program to nuclear plants via a new 'Tier III' resource designation
- The bill appears to feature a requirement that 50% of a utility's power sold come from Tier III (nukes), and it would set Tier III credits at the same price as Tier I (currently solar, wind, etc.)
- Rep. Thomas Mehaffie (R-Dauphin) and Sen. Ryan Aument (R-Lancaster) reportedly plan to introduce companion bills next Wednesday or Thursday
- "I can't comment on a draft that's three weeks old and has changed probably six times," .... "I'm sure some things in there will be the same. It shouldn't come out being half-baked. That's why we haven't brought it out yet. This is a really, really serious bill. This has to do with a lot of different things: the economy of Pennsylvania, national security issues." – Mehaffie to NPR
- Draft document available [HERE](#)

**Guggenheim takeaway:** In case you missed it. The draft was in line with our expectations from a mechanistic standpoint (e.g. via the RPS program), but it seems to be somewhat stale at this point (dated Feb 6<sup>th</sup>). We note that the 50% of load requirement and pricing aspects strike us as ripe for revision – we remain on the lookout for the official bill to be published later next week.

**ERCOT – PUCT Staff propose changes to System-Wide Offer Cap circuit breaker**

- A proposal by PUCT Staff to lower the threshold for the Peaker Net Margin (PNM) mechanism has drawn divided comments from load representatives and generators
- The PNM serves as a "circuit breaker" to protect customers in the event of unforeseen extreme market events
- The change would lower offer caps in the ISO to \$2,000/MWh (from \$9,000/MWh) once a theoretical peaking unit reaches a margin equal to three times its net cost of new entry (CONE)
- "Using the market experience of 2018 as an example, there were five days<sup>2</sup> where the real-time settlement point price ranged from \$1000 to \$4000 with the average being \$2100/MW per day. The PNM contribution for those five events yielded \$10,000 total. Under these calculations, the market would have needed to experience comparable

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*pricing for 166 days or 45% of the days in a year in order to reach the PNM as currently set by ERCOT under the parameters of the rule. Even then, the LCAP would still allow pricing up to \$2000/MW." – REP's filing*

- Docket with filed comments available [HERE](#)

**Guggenheim takeaway:** *The proposal is a part of the PUCT's ongoing proceedings regarding resource adequacy. The fault lines here are entirely as expected – customers on one side and generators on the other. The actual occurrence of events that would be triggered under the revised 3x Net CONE proposal have been very infrequent (2x in 2008, 1x in 2011), but given the ISO's current reserve margin outlook, not outside the realm of possibility in our view. These reforms are part of the broader process that saw the PUCT recently enact changes to the ORDC, but in this case we view the PNM as a somewhat minor issue for now.*

**Policy – Report claims hydrogen produced via renewables 'cost competitive' in certain applications**

- A new report [claims](#) that hydrogen produced via renewable-generated electricity is approaching parity with the cost of non-renewably produced hydrogen for small and medium sizes business in Texas and Germany, with additional improvements in technology potentially displacing natural gas in the future
- Paper available [HERE](#)

**Guggenheim takeaway:** *Fun energy data point for your awareness.*

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Tuesday, February 26, 2019

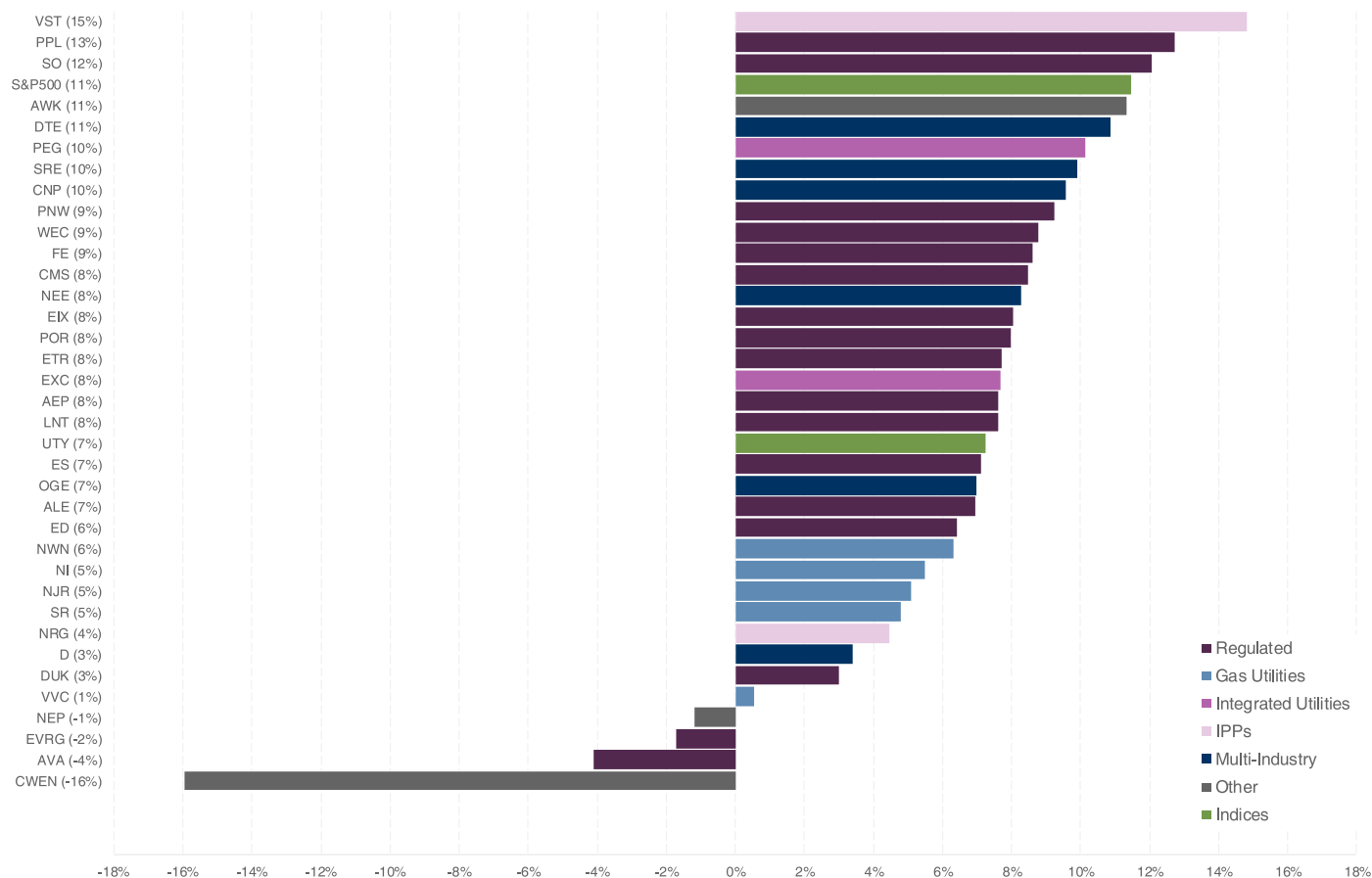
Price as of Close												Guggenheim					Consensus											
Regulated Electric Utilities <sup>(1)</sup>																												
		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	39.7	Neutral	\$78	\$80.42	3.4%	62%	493	3.95	4.17	4.44	4.71	4.93	20.4	19.3	18.1	17.1	16.3	3.95	4.12	4.39	4.65	5.00	20.4	19.5	18.3	17.3	16.1
ALE	ALLETE	4.2	Neutral	\$74	\$81.51	3.1%	64%	52	3.38	3.65	4.01	4.21	4.29	24.1	22.3	20.3	19.4	19.0	3.41	3.63	3.89	4.11	4.46	23.9	22.5	20.9	19.8	18.3
AVA	Avista*	2.7	Neutral	\$38	\$40.74	4.0%	79%	66	2.07	1.89	2.05	2.23	2.41	19.7	21.6	19.9	18.3	16.9	2.07	2.02	2.83	2.38	2.45	19.7	20.2	14.4	17.1	16.6
CMS	CMS Energy	15.3	Neutral	\$53	\$53.85	3.0%	61%	283	2.33	2.50	2.69	2.88	3.08	23.2	21.6	20.0	18.7	17.5	2.33	2.50	2.68	2.87	3.07	23.1	21.5	20.1	18.8	17.5
DUK	Duke Energy	64.6	Buy	\$94	\$88.88	4.4%	75%	727	4.72	5.00	5.26	5.57	5.91	18.8	17.8	16.9	15.9	15.0	4.72	4.96	5.22	5.47	5.86	18.8	17.9	17.0	16.3	15.2
ED	Consolidated Edison	26.1	Neutral	\$82	\$81.36	3.7%	66%	321	4.33	4.36	4.60	4.75	4.92	18.8	18.7	17.7	17.1	16.5	4.33	4.32	4.55	4.76	4.90	18.8	18.8	17.9	17.1	16.6
EIX	Edison International*	20.0	Buy	\$69	\$61.34	4.4%	55%	326	4.15	4.57	4.93	5.37	5.70	14.8	13.4	12.4	11.4	10.8	4.17	4.50	4.76	5.00	5.30	14.7	13.6	12.9	12.3	11.6
ES	Eversource Energy	22.1	Buy	\$72	\$69.66	3.3%	62%	317	3.25	3.49	3.68	3.86	4.05	21.4	19.9	18.9	18.0	17.2	3.29	3.47	3.69	3.87	4.11	21.2	20.1	18.9	18.0	16.9
ETR	Entergy	16.8	Buy	\$96	\$92.70	4.1%	69%	181	7.31	5.30	5.53	5.91	6.31	12.7	17.5	16.8	15.7	14.7	7.31	5.63	5.63	5.87	6.16	12.7	16.5	16.5	15.8	15.1
EVRG	Energy	14.2	Buy	\$61	\$55.79	3.7%	66%	255	2.67	2.93	3.14	3.32	3.52	20.9	19.0	17.7	16.8	15.9	2.67	2.89	3.19	3.31	3.52	20.9	19.3	17.5	16.8	15.9
FE	FirstEnergy	21.6	Buy	\$46	\$40.78	3.9%	63%	530	2.59	2.56	2.51	2.66	2.81	15.8	15.9	16.2	15.3	14.5	2.59	2.57	2.52	2.65	2.77	15.7	15.9	16.2	15.4	14.7
LNT	Alliant Energy	10.7	Neutral	\$41	\$45.46	3.3%	64%	236	2.17	2.24	2.37	2.50	2.69	21.0	20.3	19.2	18.2	16.9	2.17	2.26	2.40	2.53	2.68	20.9	20.2	19.0	18.0	16.9
PNW	Pinnacle West	10.4	Neutral	\$89	\$93.08	3.4%	63%	112	4.54	4.85	5.04	5.28	5.63	20.5	19.2	18.5	17.6	16.5	4.54	4.85	5.07	5.34	5.51	20.5	19.2	18.4	17.4	16.9
POR	Portland General Electric	4.4	Neutral	\$44	\$49.50	3.2%	63%	89	2.37	2.43	2.54	2.68	2.75	20.9	20.4	19.5	18.5	18.0	2.37	2.45	2.57	2.70	2.75	20.9	20.2	19.3	18.3	18.0
PPL	PPL Corporation	23.0	Neutral	\$29	\$31.93	5.7%	71%	721	2.40	2.44	2.58	2.74	2.85	13.3	13.1	12.4	11.6	11.2	2.40	2.43	2.54	2.55	2.85	13.3	13.1	12.6	12.5	11.2
SO	Southern Company	50.9	Neutral	\$44	\$49.22	5.2%	81%	1035	3.07	3.05	3.15	0.92	3.46	16.0	16.2	15.6	53.2	14.2	3.07	3.03	3.13	3.24	3.46	16.0	16.2	15.7	15.2	14.2
WEC	WEC Energy	23.8	Buy	\$76	\$75.34	3.3%	67%	316	3.34	3.50	3.73	3.98	4.26	22.6	21.5	20.2	18.9	17.7	3.34	3.51	3.74	3.97	4.24	22.6	21.5	20.1	19.0	17.8
*Average (Excl. EIX, PPL for P/E)						3.6%	63%							19.8	19.4	18.4	19.9	16.5						19.7	19.3	18.0	17.4	16.4
Regulated Gas Utilities <sup>(2)</sup>																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	10.0	Buy	\$29	\$26.74	3.0%	61%	372	1.30	1.32	1.37	1.47	1.58	20.5	20.3	19.5	18.2	16.9	1.30	1.31	1.40	1.48	1.58	20.6	20.3	19.1	18.1	16.9
NJR	New Jersey Resources	4.3	Sell	\$39	\$48.00	2.5%	60%	89	2.74	1.99	2.19	2.36	2.54	17.5	24.2	21.9	20.3	18.9	2.74	2.10	2.25	2.32	2.54	17.5	22.8	21.3	20.7	18.9
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.27	2.9%	78%	29	2.17	2.44	2.60	2.66	2.71	28.6	26.4	24.7	24.1	23.7	2.22	2.46	2.58	2.64	2.71	28.9	26.1	24.9	24.3	23.7
SR	Spire	3.9	Neutral	\$77	\$77.62	3.1%	65%	51	3.74	3.74	3.89	4.01	4.28	20.7	20.7	20.0	19.3	18.1	3.72	3.74	3.87	3.98	4.30	20.9	20.8	20.0	19.5	18.1
Average						3.1%	67%							22.1	22.9	21.5	20.5	19.4						22.0	22.5	21.3	20.7	19.4
Integrated Utilities <sup>(3)</sup>																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	47.1	Buy	\$53	\$48.56	3.0%	45%	970	3.12	3.16	3.25	3.17	3.21	15.6	15.3	14.9	15.3	15.1	3.12	3.15	3.17	3.15	3.36	15.6	15.4	15.3	15.4	14.5
PEG	PSEG	29.0	Buy	\$59	\$57.32	3.3%	58%	505	3.10	3.25	3.53	3.67	3.84	18.5	17.6	16.2	15.6	14.9	3.10	3.22	3.53	3.65	3.88	18.5	17.8	16.2	15.7	14.8
Average						3.1%	52%							17.0	16.5	15.6	15.5	15.0						17.0	16.6	15.8	15.6	14.6
Independent Power Producers (IPPs) <sup>(4)</sup>																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	12.0	Buy	\$51	\$41.37	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	8.8	9.4	9.7	9.2	9.2	1,775	2,008	1,835	1,840	1,936	9.8	8.5	9.0	9.3	NA
VST	Vistra Energy	13.3	Buy	\$39	\$26.28	1.9%	0%	504	2,800	3,307	3,355	3,402	3,402	8.5	7.3	7.1	6.9	6.6	2,761	3,372	3,337	3,273	3,654	8.4	6.8	6.6	6.1	NA
Average														8.7	8.4	8.4	8.0	7.9						9.1	7.6	7.8	7.7	NA
Multi-Industry Utilities <sup>(5)</sup>																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.5	Buy	\$33	\$30.93	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.5	18.0	17.0	16.1	15.3	1.58	1.69	1.83	1.94	2.02	19.5	18.3	16.9	15.9	15.3
D	Dominion	59.7	Buy	\$82	\$73.89	5.0%	87%	808	4.04	4.24	4.44	4.68	4.92	18.3	17.4	16.6	15.8	15.0	4.05	4.22	4.41	4.66	4.94	18.2	17.5	16.7	15.9	15.0
DTE	DTE Energy	22.2	Buy	\$127	\$122.30	3.1%	60%	182	6.30	6.26	6.72	7.21	7.63	19.4	19.5	18.2	17.0	16.0	6.30	6.24	6.59	7.04	7.52	19.4	19.6	18.6	17.4	16.3
NEE	NextEra	90.0	Buy	\$205	\$188.23	2.7%	58%	478	7.83	8.63	9.19	9.91	10.52	24.0	21.8	20.5	19.0	17.9	7.70	8.40	9.07	9.75	10.49	24.4	22.4	20.8	19.3	17.9
OGE	OGE Energy	8.4	Neutral	\$41	\$41.92	3.6%	70%	200	2.12	2.14	2.30	2.41	2.51	19.8	19.6	18.2	17.4	16.7	2.12	2.14	2.31	2.44	2.51	19.8	19.6	18.1	17.2	16.7
SRE	Sempra Energy	32.5	Buy	\$133	\$118.90	3.3%	64%	274	5.57	6.10	7.26	7.66	7.96	21.3	19.5	16.4	15.5	14.9	5.57	6.00	7.14	7.76	7.96	21.3	19.8	16.6	15.3	14.9
Average						3.5%	68%							20.4	19.3	17.8	16.8	16.0						20.5	19.5	18.0	16.8	16.0
Other																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	18.3	Neutral	\$96	\$101.04	1.9%	54%	181	3.30	3.61	3.96	4.27	4.60	30.6	28.0	25.5	23.6	22.0	3.30	3.59	3.89	4.24	4.66	30.6	28.1	26.0	23.8	21.7
		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.1	Neutral	\$11	\$14.50	9.1%	NA	183	1,039	1,069	1,116	1,159	1,159	8.7	8.6	8.6	8.2	8.6	995	993	1,057	1,090	NA	8.4	8.3	7.8	7.3	-
NEP	NextEra Energy Partners	2.4	Buy	\$56	\$42.54	4.8%	NA	56	1,106	1,393	1,560	1,811	1,811	9.1	7.8	7.5	7.1	0.0	881	1,125	1,286	1,496	1,981	11.4	9.7	9.1	8.6	NA

## POWER, UTILITIES & ALTERNATIVE ENERGY

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### Share Price Performance (Year-to-Date)

#### Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/27-2/28	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/26	NYC	SJI	9/5	NYC
ALE	4/2-4/4	TBD	SJI	9/5	Boston
DTE	4/5	Boston	ETR	9/12-9/13	TBD
POR	4/29-4/30	West Coast	CMS	11/21-11/22	Texas
VST	5/8-5/9	West Coast			
SRE	5/13-5/15	West Coast			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue.. .....	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
02/28	SO	VCM	Georgia Power	GA	VCM19	Filing of VCM20 report
02/28	D	Limited issue rider	Virginia Electric Power Co	VA	C-PUR-2018-00083 (Rider B)	Decision expected in rider B
02/28	EIX	FERC Formula Rates	SDG&E	FERC	ER18-169-000 and EL18-44 (the "Formula Rate)	Settlement Conferences
03/01	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for Rebuttal Testimony
03/01	CMS	IRP	Consumers Energy Co.	MI	U-20165	Exceptions
03/04	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Hearing to begin
03/04	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor testimony served
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due
03/11	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	Rebuttal testimony due
03/11	CMS	IRP	Consumers Energy Co.	MI	U-20165	Replies to Exceptions
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/12	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	AR	D-18-046-FR	Commission order expected in FRP proceeding
03/13	ED	Electric Rate Case	CECONY	NY	19-E-0065 / 19-G-0066	Procedural Conference
03/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor comments filed and served (Alternative)
03/15	EIX	Charge Ready Phil	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Opening Briefs Filed
03/19	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Deadline for pre-trial motions
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled
03/22	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Reply briefs due
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Concurrent opening briefs/comments
03/22	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Utility reply comments filed and served (Alternative)
03/25	OGE	OK Preapproval	Oklahoma Gas and Electric Co.	OK	PUD 201800159	Prehearing Conference
03/25	ED	Electric Rate Case	O&R	NY	C-18-E-0067	PSC decision expected by 3/25/2019
03/25	ED	Gas Rate Case	O&R	NY	C-18-G-0068	PSC decision expected by 3/25/2019

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
21. [Guggenheim EEI Takeaways - Day 1](#)
22. [Guggenheim EEI Takeaways - Day 2](#)
23. [Guggenheim EEI Takeaways - Day 3](#)
24. [Utility and IPP 3Q17 Model Sweep](#)
25. [DOE Texas Tango – Will FERC Dance?](#)
26. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
27. [AGA Conference Highlights and Management Meeting Takeaways](#)
28. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
3. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
4. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
5. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
6. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
7. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
8. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
9. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
10. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
11. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
12. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
13. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
14. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
15. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
16. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
17. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
18. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
19. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
20. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
21. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
22. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
23. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
24. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
25. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)

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26. *FE – “Can’t Always Get What You Want, Get What You Need”: Above Avg. Growth, Deep Discount Generating Vast Interest*
27. *D – Southern Charming on Madison Avenue...Any Bargain Shoppers?*
28. *ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller*
29. *PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.*
30. *CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug*
31. *PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point*
32. *VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \$37*
33. *ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over*
34. *WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court*
35. *NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend*
36. *DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”*
37. *CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” (UP) in Michigan? We May be at an Inflection Point*
38. *SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential*
39. *VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a “Premium” Watermark with Their Standalone Plan*

## POWER, UTILITIES & ALTERNATIVE ENERGY

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#### Rating and Price Target History for: Exelon Corporation (EXC) as of 02-26-2019



Created by: BlueMatrix

#### Rating and Price Target History for: Sempra Energy (SRE) as of 02-26-2019



Created by: BlueMatrix

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SELL	9	2.59%	0	0.00%

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

February 21, 2019

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## The Guggenheim Daily Transmission: NI, SO, AWK, FE, ETR, ES, D, DUK, EXC, PNW, CMS, Santee Cooper, LNT, WEC, ERCOT

**For Guggenheim's NDR schedule, please scroll down****What's New?****NI: Results Inline with Our Prior Revised Outlook – No Surprises For Us and No Change in Our Stance (see our note [HERE](#))****SO: Cautiously Optimistic on Turning Point - Positive Data Points on Vogtle Productivity Continues; Solid Results (see our note [HERE](#))****AWK – Thirsty for Growth? No Dry Spell Here – Solid Results, Outlook Maintained (see our note [HERE](#))****FE – A Boring Utility Update? Boring Is In Vogue and Just What We Expected Following NDR (see our note [HERE](#))****ETR - Good Start - Story Cleaner on Multiple Fronts: Disclosures, Guidance, EWC Wind Down Coming to Fruition (see our note [HERE](#))****ES – Earnings quick read: Caught up with Mgmt. last night - 4Q looks ok despite equity needs, CapEx healthy w/incremental opportunities around AMI and Grid Mod etc...****D/DUK – 14 industry and labor organizations filed amicus brief in support of ACP****EXC – Legislation for nuclear support reportedly nearing completion****PNW – APS announces intentions to add 850MW of storage and 100MW of solar by 2025****D – SC PSC Hearings on a customer education plan****CMS – MSPC staff will not file rebuttal testimony in the Demand Response cost reconciliation proceeding for 2017****D/DUK – Al Gore making public appearance opposing ACP****Santee Cooper – Santee Cooper accidentally dumps coal ash in river****LNT – Legislation introduced in Iowa legislature to modify tariffs for DER customers****WEC – Additional filings made in WEC solar docket****ERCOT – World's largest solar/storage facility proposed for West Texas****EXC – Annova LNG development signs agreement for 405MW power supply for LNG facility****ES – Earnings quick read: Caught up with Mgmt. last night - 4Q looks ok despite equity needs, CapEx healthy w/incremental opportunities around AMI and Grid Mod etc...**

- CapEx higher on base spend and roll forward incremental years (now guiding through 2023).
- CapEx doesn't include Wind deals so purely base spend – wind deals become accretive in 2024.

Ticker	Price	Rating
AWK	98.66	Neutral
D	73.54	Buy
DUK	88.85	Buy
ES	70.27	Buy
ETR	91.24	Buy
EXC	48.13	Buy
FE	39.60	Buy
LNT	45.17	Neutral
NI	26.28	Buy
PNW	90.93	Neutral
SO	49.74	Neutral
WEC	75.10	Buy

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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- Higher CapEx doesn't include potential upside from AMI (all states) and Grid mod (NH and CT) which could still positively impact results within current trajectory. NPT is also potential upside.
- Equity likely opportunistic and mgmt. will utilize various avenues including ATM – higher CapEx and equity would translate into 6% growth before accounting for upside opportunities. Still deciding how and when.
- 2018 base year where 5-7% growth set off of an '18 EPS figure that includes ~\$0.02 of negative non-recurring items (i.e. tax benefit more than offset by pipeline charge) so 5-7% growth is really based off a \$3.27 EPS (vs the current \$3.25).
- Midpoint of EPS guide for 2019 slightly weak.
- Management is very conscious about their credit profile and it is one of few A-rated HoldCo's.

***Guggenheim takeaway:** Quick take – looks fine, in our view, and we will have additional color post earnings call at 9am. Just some quick takes following Mgmt. call last night.*

**D/DUK – 14 industry and labor organizations filed amicus brief in support of ACP**

- 14 industry groups and labor organizations filed an amicus brief calling for ACP to have an en banc review for its U.S. Forest Service permit.
- Petitioners include the U.S. Chamber of Commerce, Laborers' International Union of North America, Edison Electric Institution, Interstate Natural Gas Association of America, Association of Oil Pipelines, American Petroleum Institute, American Fuel and Petrochemical Manufacturers.

***Guggenheim takeaway:** For your awareness, continued industry support for ACP to have a en banc review. On the 4Q D earnings call there were some questions about the possibility of getting an en banc review but D seems confident it will happen. The review would expand the field of judges reviewing the case from the 3 panel that initially invalidated the permit to 15 with more diverse political backgrounds. NDR with us next week.*

**EXC – Legislation for nuclear support reportedly nearing completion**

- Rep. Thomas Mehaffie III, R-Dauphin County, and Rep. Thomas Mehaffie III, R-Dauphin County are reportedly spearheading the effort to introduce legislation supportive of nuclear units in PA.
- "Gov. (Tom) Wolf is worried about the workers at possibly affected plants, their families and their communities that rely on these jobs ... He wants to do what he can to help them." - PA governor's spokesman, J.J. Abbott to the York Dispatch

***Guggenheim takeaway:** As expected – we continue to be on the lookout for a tangible draft to emerge. As a reminder, the memorandum released last month would have the state's RPS program expanded to include the clean generation from nuclear. EXC has set a May deadline for action from the Legislature in order to keep TMI unit 1 open. This latest report was also unsurprising.*

**PNW – APS announces intentions to add 850MW of storage and 100MW of solar by 2025**

- APS intends to add up to 850MW of battery storage to its system by 2025, with 200MW at existing plants and 500MW to be deployed at solar sites and standalone facilities.
- The 200MW of storage to be sited near existing storage will be installed by Invenergy by 2021, with RFPs for the second tranche coming this summer.
- "As storage technology improves and declines in cost, we will increasingly be able to store the power of the sun cost-effectively to deliver when our customers need it." – CEO Don Brandt

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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**Guggenheim takeaway:** Not a major surprise to us given the state's moratorium on new gas and growth in the underlying service territory, but we look forward to additional details with tomorrow's 4Q18 release.

#### D – SC PSC Hearings on a customer education plan

- ORS [discusses](#) that it has oversight of the advertising associated with a customer education plan.

**Guggenheim takeaway:** For your awareness, continued docket activity on D/SCG merger.

#### CMS – MSPC staff will not file rebuttal testimony in the Demand Response cost reconciliation proceeding for 2017

- Staff filed a letter advising the MPSC that staff rebuttal testimony will not be filed, but staff will reserve the right to proceed in all other matters according to schedule.
- Docket: [U-20164](#)

**Guggenheim takeaway:** The proceeding is strictly regarding historic program costs in 2017, but having no contentious issues for rebuttal is a sign of constructive work that is being done by CMS regulatory teams, in our view.

#### D/DUK – Al Gore making public appearance opposing ACP

- Local press [notes](#) that former Vice President Al Gore made a public appearance in Virginia to discuss his opposition to the Atlantic Coast Pipeline.
- There is an ongoing debate about ACP's compressor station proposed for "a historic African-American section of Buckingham County."
- Al Gore believes, "It's a vivid example of environmental injustice."

**Guggenheim takeaway:** For your awareness, public opposition to ACP continues but, in our view, Gore playing into his constituencies. ACP continues to fight delays caused by permitting issues. D recently reset 2020 guidance to the lower half of the range (6-7%) and only guides towards modest construction on ACP. We continue to have a positive view of BUY-rated D and see plenty of levers to pull, especially at SCG since the utility was under earning its 10.25% allowed ROE considerably with an 8.4% earned ROE for 9/30/18 TTM.

#### Santee Cooper – Santee Cooper accidentally dumps coal ash in river

- Local press [reports](#) that Santee Cooper accidentally dumped coal ash sludge in a river.
- On Jan. 30, workers discovered a pump system that started dredging up sediment from the bottom of a storage pond.

**Guggenheim takeaway:** Santee Cooper continues to be under review for sale by the SC legislature. With over 10 offers for Santee Cooper and many of them designed to reduce debt associate with VC Summer, we question if lawmakers could be more open to a 100% sale. Earlier reports showed that the Senate did not have enough votes for a 100% acquisition but the new data point is coming after those earlier reports. 3 options here: (1) nothing happens, (2) Management Service Agreement and (3) outright acquisition... As we have highlighted in past research, at least two of the bidders (i.e. NEE and DUK) have submitted at least two types of bids including an MSA and outright purchase... (see our last research note on [HERE](#) ).

#### LNT – Legislation introduced in Iowa legislature to modify tariffs for DER customers

- The Solar Options Lead to Affordable Renewables, or SOLAR Act, would allow utilities to recommend or request tariff changes with the IUB to utilized different rate structures to recover infrastructure costs from solar DER users.
- Existing DER customers would be grandfathered.

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- Bill available [HERE](#).

**Guggenheim takeaway:** *Not a major development in and of itself, but we continue to monitor.*

**WEC – Additional filings made in WEC solar docket**

- A list of rebuttal and sur-rebuttal testimony received in recent weeks has been posted to the docket.
- A hearing for oral arguments is scheduled for March 6<sup>th</sup>
- Docket available [HERE](#).

**Guggenheim takeaway:** *For your awareness. A decision from the WPSC is expected by late March/early April.*

**ERCOT – World's largest solar/storage facility proposed for West Texas**

- The 495MW of solar and 495MW of storage would be located in Borden County atop the Permian Basin.
- See more [HERE](#).

**Guggenheim takeaway:** *The project is in the queue, but otherwise far from certain. However the combination draws parallels to VST's own Upton 2 development, and begs the question of how storage could upend the scarcity price robbing effects of intermittent generation.*

**EXC – Annova LNG development signs agreement for 405MW power supply for LNG facility**

- The [agreement with](#) the South Texas Electric Cooperative would see the group supply 405MW of power to the LNG project.
- The comment period on FERC's EIS for the 7 mtpa project remains open through 3/13.

**Guggenheim takeaway:** *Annova remains one of several projects proposed for the region, with FID coming in mid to late 2019 at the earliest. It remains outside of our current model for EXC.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Wednesday, February 20, 2019

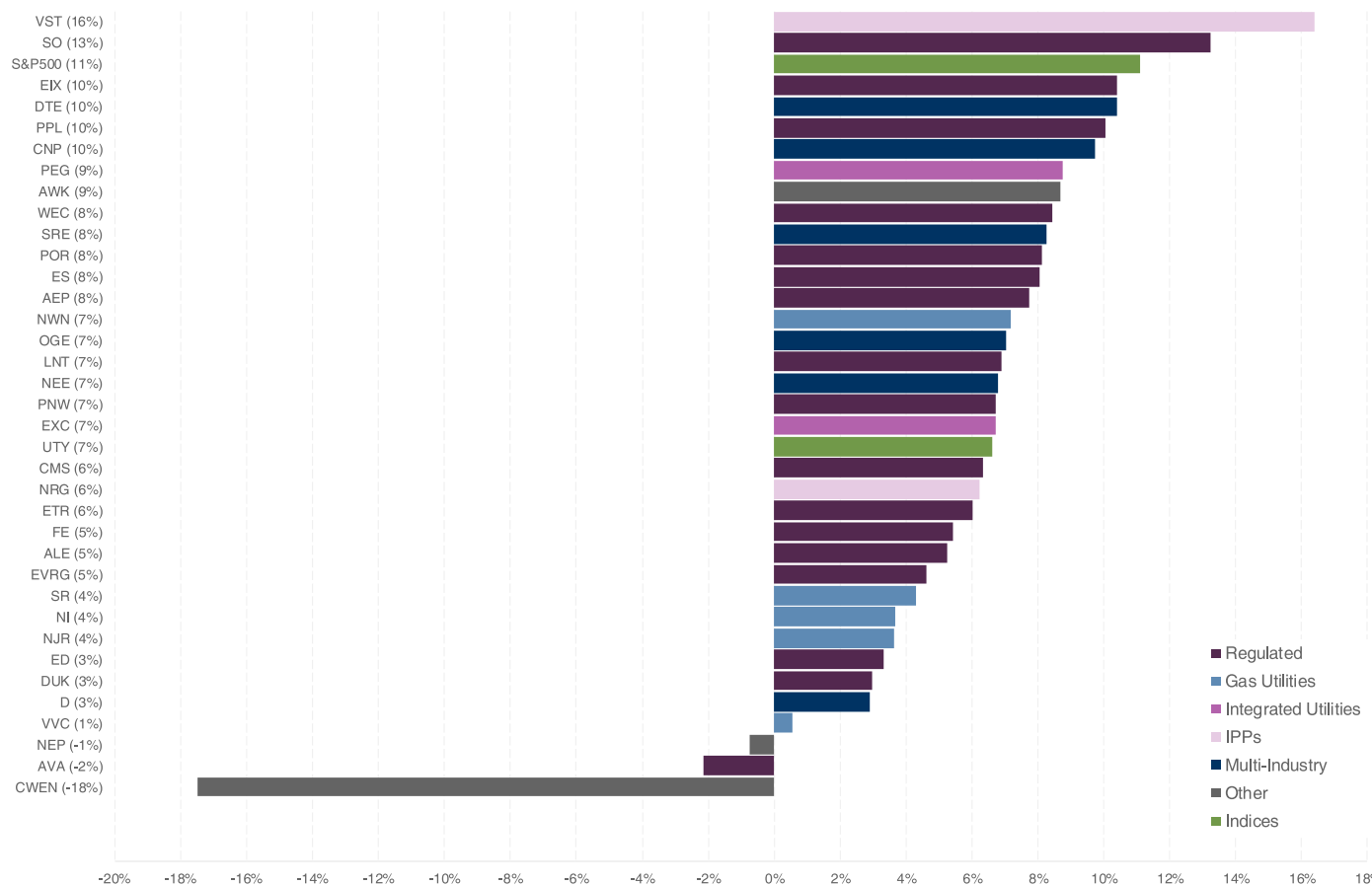
Price as of Close										Guggenheim										Consensus									
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings					
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
AEP	American Electric Power	39.7	Neutral	\$78	\$80.52	3.4%	62%	493	3.95	4.17	4.44	4.71	4.93	20.4	19.3	18.1	17.1	16.3	3.95	4.12	4.39	4.65	5.00	20.4	19.5	18.3	17.3	16.1	
ALE	ALLETE	4.1	Neutral	\$74	\$80.22	3.2%	64%	52	3.38	3.65	4.01	4.21	4.29	23.8	22.0	20.0	19.0	18.7	3.41	3.63	3.89	4.11	4.46	23.6	22.1	20.6	19.5	18.0	
AVA	Avista*	2.7	Neutral	\$38	\$41.57	3.9%	79%	66	2.07	1.89	2.05	2.23	2.41	20.1	22.0	20.3	18.6	17.2	2.07	2.02	2.83	2.38	2.45	20.1	20.6	14.7	17.5	17.0	
CMS	CMS Energy	15.0	Neutral	\$53	\$52.79	3.1%	61%	283	2.33	2.50	2.69	2.88	3.08	22.7	21.1	19.6	18.4	17.2	2.33	2.50	2.68	2.87	3.07	22.7	21.1	19.7	18.4	17.2	
DUK	Duke Energy	64.6	Buy	\$94	\$88.85	4.4%	75%	727	4.72	5.00	5.26	5.57	5.91	18.8	17.8	16.9	15.9	15.0	4.72	4.96	5.22	5.47	5.86	18.8	17.9	17.0	16.2	15.2	
ED	Consolidated Edison	24.6	Neutral	\$82	\$79.01	3.8%	66%	311	4.25	4.36	4.61	4.79	4.95	18.6	18.1	17.1	16.5	16.0	4.29	4.28	4.53	4.74	4.91	18.4	18.5	17.5	16.7	16.1	
EIX	Edison International*	20.4	Buy	\$69	\$62.68	4.3%	55%	326	4.15	4.57	4.93	5.37	5.70	15.1	13.7	12.7	11.7	11.0	4.17	4.50	4.78	5.00	5.30	15.0	13.9	13.1	12.5	11.83	
ES	Eversource Energy	22.3	Buy	\$72	\$70.27	3.2%	61%	317	3.27	3.51	3.71	3.94	4.17	21.5	20.0	18.9	17.9	16.9	3.28	3.48	3.70	3.91	4.14	21.4	20.2	19.0	18.0	16.98	
ETR	Entergy	16.7	Buy	\$96	\$91.24	4.2%	69%	181	7.31	5.30	5.53	5.91	6.31	12.5	17.2	16.5	15.4	14.5	7.31	5.82	5.72	5.90	5.98	12.5	15.7	16.0	15.5	15.3	
EVRG	Evergy	15.6	Buy	\$63	\$59.39	3.5%	64%	263	2.63	2.93	3.27	3.42	3.58	22.6	20.3	18.2	17.4	16.6	2.60	2.95	3.29	3.42	3.58	22.9	20.1	18.0	17.4	16.6	
FE	FirstEnergy	20.2	Buy	\$46	\$39.59	4.0%	63%	511	2.59	2.56	2.51	2.66	2.81	15.3	15.5	15.7	14.9	14.1	2.59	2.57	2.50	2.60	2.78	15.3	15.4	15.8	15.2	14.2	
LNT	Alliant Energy	10.7	Neutral	\$41	\$45.17	3.3%	63%	236	2.18	2.24	2.37	2.50	2.69	20.7	20.2	19.1	18.1	16.8	2.16	2.26	2.40	2.54	2.69	20.9	20.0	18.8	17.8	16.8	
PNW	Pinnacle West	10.2	Neutral	\$89	\$90.93	3.5%	63%	112	4.49	4.84	5.04	5.25	5.45	20.2	18.8	18.1	17.3	16.7	4.48	4.85	5.03	5.27	5.42	20.3	18.8	18.1	17.3	16.8	
POR	Portland General Electric	4.4	Neutral	\$44	\$49.57	3.2%	63%	89	2.37	2.43	2.54	2.68	2.75	20.9	20.4	19.5	18.5	18.1	2.37	2.44	2.57	2.70	2.75	20.9	20.3	19.3	18.3	18.03	
PPL	PPL Corporation	22.5	Neutral	\$29	\$31.18	5.8%	71%	721	2.40	2.44	2.58	2.74	2.85	13.0	12.8	12.1	11.4	11.0	2.40	2.43	2.54	2.55	2.85	13.0	12.8	12.3	12.2	10.94	
SO	Southern Company	51.2	Neutral	\$44	\$49.74	5.1%	81%	1029	3.07	3.05	3.15	0.92	3.46	16.2	16.3	15.8	53.8	14.4	3.07	3.02	3.13	3.25	3.45	16.2	16.5	15.9	15.3	14.43	
WEC	WEC Energy	23.6	Buy	\$76	\$75.10	3.3%	67%	316	3.34	3.50	3.73	3.98	4.26	22.5	21.4	20.2	18.9	17.6	3.34	3.51	3.74	3.97	4.24	22.5	21.4	20.1	18.9	17.72	
*Average (Excl. EIX, PPL for P/E)						3.6%	63%							19.8	19.4	18.3	19.8	16.4						19.8	19.2	17.9	17.3	16.4	
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings					
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
NI	NISource	9.9	Buy	\$29	\$26.28	3.0%	61%	372	1.30	1.32	1.37	1.47	1.58	20.2	19.9	19.2	17.9	16.6	1.30	1.33	1.42	1.51	1.58	20.2	19.8	18.5	17.4	16.6	
NJR	New Jersey Resources	4.2	Sell	\$39	\$47.33	2.5%	60%	89	2.74	1.99	2.19	2.36	2.54	17.3	23.8	21.6	20.0	18.6	2.74	2.10	2.25	2.32	2.54	17.3	22.5	21.0	20.4	18.6	
NWN	NW Natural Gas	1.9	Sell	\$49	\$64.80	2.9%	78%	29	2.17	2.44	2.60	2.66	2.71	29.9	26.6	24.9	24.3	23.9	2.22	2.46	2.58	2.64	2.71	29.2	26.3	25.1	24.5	23.9	
SR	Spire	3.9	Neutral	\$77	\$77.27	3.1%	65%	51	3.74	3.74	3.89	4.01	4.28	20.6	20.7	19.9	19.3	18.1	3.72	3.74	3.87	3.98	4.30	20.8	20.7	19.9	19.4	18.0	
Average						3.1%	67%							22.0	22.7	21.4	20.4	19.3						21.9	22.3	21.2	20.4	19.3	
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings					
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
EXC	Exelon	46.7	Buy	\$53	\$48.13	3.0%	45%	970	3.12	3.16	3.25	3.17	3.21	15.4	15.2	14.8	15.2	15.0	3.12	3.15	3.16	3.15	3.36	15.4	15.3	15.2	15.3	14.3	
PEG	PSEG	28.6	Buy	\$59	\$56.61	3.3%	58%	505	3.13	3.28	3.49	3.60	3.83	18.1	17.3	16.2	15.7	14.8	3.10	3.22	3.53	3.65	3.88	18.2	17.6	16.1	15.5	14.6	
Average						3.2%	51%							16.8	16.2	15.5	15.4	14.9						16.8	16.4	15.6	15.4	14.5	
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA					
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
NRG	NRG Energy	12.2	Buy	\$51	\$42.06	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	8.9	9.5	9.8	9.3	9.3	1,775	2,008	1,835	1,840	1,936	9.9	8.6	9.1	9.4	NA	
VST	Vistra Energy	13.4	Buy	\$39	\$26.64	1.9%	0%	504	2,800	3,307	3,355	3,402	3,402	8.6	7.4	7.2	6.9	6.7	2,760	3,362	3,327	3,255	3,654	8.5	6.8	6.7	6.2	NA	
Average														8.7	8.4	8.5	8.1	8.0						9.2	7.7	7.9	7.8	NA	
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings					
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
CNP	CenterPoint	15.5	Buy	\$33	\$30.98	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.6	18.0	17.1	16.1	15.3	1.58	1.69	1.82	1.94	2.02	19.6	18.3	17.0	16.0	15.3	
D	Dominion	59.5	Buy	\$82	\$73.54	5.0%	87%	808	4.04	4.24	4.44	4.68	4.92	18.2	17.3	16.6	15.7	15.0	4.05	4.22	4.41	4.66	4.94	18.2	17.4	16.7	15.8	14.9	
DTE	DTE Energy	22.2	Buy	\$127	\$121.77	3.1%	60%	182	6.30	6.26	6.72	7.21	7.63	19.3	19.4	18.1	16.9	16.0	6.30	6.23	6.59	7.04	7.52	19.3	19.5	18.5	17.3	16.2	
NEE	NexEra	88.8	Buy	\$205	\$185.64	2.7%	58%	478	7.83	8.63	9.19	9.91	10.52	23.7	21.5	20.2	18.7	17.6	7.70	8.40	9.07	9.75	10.49	24.1	22.1	20.5	19.0	17.7	
OGE	OGE Energy	8.4	Neutral	\$41	\$41.94	3.6%	70%	200	2.06	2.14	2.30	2.41	2.51	20.3	19.6	18.3	17.4	16.7	2.07	2.14	2.31	2.41	2.51	20.2	19.6	18.2	17.4	16.7	
SRE	Sempra Energy	32.1	Buy	\$133	\$117.13	3.3%	64%	274	5.47	6.13	7.29	7.60	7.96	21.4	19.1	16.1	15.4	14.7	5.43	6.03	7.20	7.52	7.88	21.6	19.4	16.3	15.6	14.9	
Average						3.5%	68%							20.4	19.2	17.7	16.7	15.9						20.5	19.4	17.8	16.8	16.0	
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings					
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
AWK	American Water Works	17.8	Neutral	\$96	\$98.66	2.0%	54%	181	3.30	3.61	3.96	4.27	4.60	29.9	27.4	24.9	23.1	21.5	3.30	3.58	3.88	4.22	4.64	29.9	27.5	25.4	23.4	21.2	
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA					
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
CWEN	Cleanway Energy	3.1	Neutral	\$11	\$14.23	9.3%	NA	183	1,039	1,069	1,116	1,159	1,159	8.6	8.5	8.6	8.1	8.5	985	993	1,057	1,090	NA	8.3	8.5	8.1	7.2	-	
NEP	NexEra Energy Partners	2.4	Buy	\$56	\$42.73	4.8%	NA	56	1,106	1,393	1,560	1,811	1,811	9.1	7.8	7.5	7.2	0.0	981	1,125	1,286	1,496	1,981	11.4	9.7	8.1	8.7	NA	

## POWER, UTILITIES & ALTERNATIVE ENERGY

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### Share Price Performance (Year-to-Date)

#### Year-to-Date Share Price Performance



**Note: We are currently restricted on PCG and SJJ**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	LNT	6/4	Boston
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	SJI	6/18	NYC
WEC	2/27-2/28	West Coast	EIX	6/20-6/21	Texas
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/26	NYC	SJI	9/5	NYC
ALE	4/2-4/4	TBD	SJI	9/5	Boston
DTE	4/5	Boston	ETR	9/12-9/13	TBD
POR	4/29-4/30	West Coast	CMS	11/21-11/22	Texas
VST	5/8-5/9	West Coast			
SRE	5/13-5/15	West Coast			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 21, 2019

## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
TBD	ED	Gas Rate Case	CECONY	NY	19-G-0066	Rate case filed 1/31/19, awaiting scoping memo
TBD	ED	Electric Rate Case	CECONY	NY	19-E-0065	Rate case filed 1/31/19, awaiting scoping memo
02/21	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Decision expected
02/22	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Motions to Strike
02/25	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Responses to motions for hearings
Week of Feb. 25,	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Focused Issue workshop
02/26	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Company rebuttal testimony due
02/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Responses to Motions
02/26	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Pre-hearing conference
02/28	SO	VCM	Georgia Power	GA	VCM19	Filing of VCM20 report
02/28	D	Limited issue rider	Virginia Electric Power Co	VA	C-PUR-2018-00083 (Rider B)	Decision expected in rider B
02/28	EIX	FERC Formula Rates	SDG&E	FERC	ER18-169-000 and EL18-44 (the "Formula Rate)	Settlement Conferences
03/01	CMS	IRP	Consumers Energy Co.	MI	U-20165	Exceptions
03/04	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Hearing to begin
03/04	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor testimony served
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due
03/11	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	Rebuttal testimony due
03/11	CMS	IRP	Consumers Energy Co.	MI	U-20165	Replies to Exceptions
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/12	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	AR	D-18-046-FR	Commission order expected in FRP proceeding
03/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor comments filed and served (Alternative)
03/15	EIX	Charge Ready PhII	SCE	CA	(A.14-10-014; A.18-06-015)	Concurrent Opening Briefs Filed
03/21	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	hearing scheduled

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
21. [Guggenheim EEI Takeaways - Day 1](#)
22. [Guggenheim EEI Takeaways - Day 2](#)
23. [Guggenheim EEI Takeaways - Day 3](#)
24. [Utility and IPP 3Q17 Model Sweep](#)
25. [DOE Texas Tango – Will FERC Dance?](#)
26. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
27. [AGA Conference Highlights and Management Meeting Takeaways](#)
28. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
3. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
4. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
5. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
6. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
7. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
8. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
9. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
10. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
11. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
12. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
13. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
14. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
15. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
16. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
17. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
18. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
19. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
20. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
21. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
22. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
23. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
24. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
25. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)

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26. *FE – “Can’t Always Get What You Want, Get What You Need”: Above Avg. Growth, Deep Discount Generating Vast Interest*
27. *D – Southern Charming on Madison Avenue...Any Bargain Shoppers?*
28. *ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller*
29. *PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.*
30. *CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug*
31. *PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point*
32. *VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \$37*
33. *ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over*
34. *WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court*
35. *NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend*
36. *DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”*
37. *CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” (UP) in Michigan? We May be at an Inflection Point*
38. *SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential*
39. *VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a “Premium” Watermark with Their Standalone Plan*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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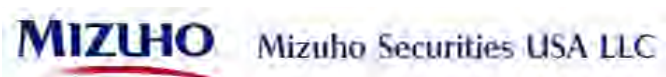
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U.S. Equity Research

February 20, 2019

**Energy Research**  
**Power & Utilities**  
**Price Target Change**

# Exelon Corporation

## 2018-2021 Estimate Update

### Summary

Mizuho decreases our 2019-21 earnings estimates following the company's fourth quarter earnings call and an update of our forecast for 2018 actual results. The decrease is driven entirely by reductions at Exelon Generation, the company's merchant energy subsidiary. Maintain Neutral; PT to \$47.

### Key Points

- We update our consolidated 2018-2021 EPS estimates to **\$3.12, \$3.16, \$3.15, and \$3.09, respectively** from \$3.16, \$3.38, \$3.40, and \$3.19. The 20-25 decrease in 2020 and 2021 estimates is a result of lower hedge prices, an weaker commodity forecast, and increased O&M.
- The company provided an updated 2021 hedging disclosure, which includes a \$250 million reduction from 2020 levels due to weakening capacity prices and a backwardated forward curve for power prices.
- We update our Utility, Parent & Other 2018-2021 EPS estimates to **\$1.74, \$1.93, \$2.05, and \$2.17, respectively** from \$1.73, \$1.88, \$2.03, and \$2.15. The slight increase in our estimates reflect \$1.5 billion of increased spending in 2019-201 relative to past guidance and \$1.3 billion increased rate base in the same period.

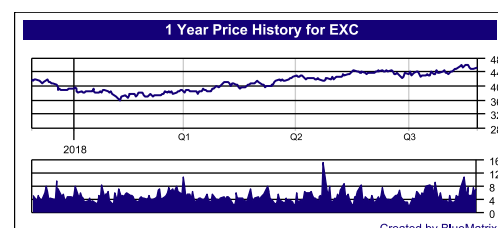
<b>Rating</b>	<b>Neutral</b>
Previous Rating	No Change
<b>Price (2/19)</b>	<b>\$48.15</b>
<b>Price Target</b>	<b>\$47.00</b>
Previous Price Target	\$47.50

### Key Data

Symbol	EXC (NYSE)
52-Week Range	\$48.26 - \$36.50
Market Cap (\$mm)	\$46,508
Shares Outstanding (mm)	965.9
Float	963.9
Average Daily Volume	5,649,233
Dividend/Yield	\$1.38/2.9%
% Change YTD	7
1 year Return	32

### Fiscal Year-End: Dec 31

	2018A	2019E	2020E	
	Prior	Curr	Prior	Curr
<b>Earnings per Share (\$)</b>				
1Q	—	—	—	—
2Q	—	—	—	—
3Q	—	—	—	—
4Q	—	—	—	—
<b>Yr</b>	<b>3.12A</b>	<b>3.38E</b>	<b>3.16E</b>	<b>3.40E</b>
			<b>3.15E</b>	



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### Estimate Change

We update our 2018-2021 EPS estimates following the fourth quarter earnings call. The decrease in our estimates is driven by reductions at Exelon Generation, the company's merchant energy subsidiary.

Our 2018-2021 EPS estimates are as follows:

#### Exhibit 1: EPS Estimate Changes

<b>Consolidated</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Current	\$3.12	\$3.16	\$3.15	\$3.09
Prior	\$3.16	\$3.38	\$3.40	\$3.19
Difference	(\$0.04)	(\$0.22)	(\$0.25)	(\$0.10)

<b>UPO</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Current	\$1.74	\$1.93	\$2.05	\$2.17
Prior	\$1.73	\$1.88	\$2.03	\$2.15
Difference	\$0.01	\$0.05	\$0.02	\$0.02

Source: Company reports, MSUSA estimates

The reduction in our Exelon Generation estimates includes an update of our commodity forecast assumptions for gas and electricity forwards, lower hedge prices, \$0.05 higher operating and maintenance expense, \$0.06, a reduction in other income, \$0.05 and higher property taxes, \$0.01. The increase in O&M relates in part to higher pension expense and in part to the added cost of operating the Everett LNG terminal. Beginning in 2022, the company will be able to recover Everett O&M costs when the LNG terminal and Mystic Units 8 & 9 move to cost of service rates.

Partly offsetting the reduction in our Exelon Generation estimates was a \$0.02-\$0.05 increase in our utility parent and other estimates reflecting higher rate base spending levels outlined in the company's fourth quarter presentation. Exhibit 2 compares the current spending and rate base projections to those provided by the company on its 2017 year-end earnings call last year.

#### Exhibit 2: EXC raised 2019-2021 CapEx Guidance by \$1.5B

<b>(\$ millions)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Cumulative CapEx 2019-2021</b>
<b>New Guidance</b>					
Capex	5,325	5,925	5,750	5,875	17,000
Rate Base	41,200	44,200	47,300	50,700	
<b>Old Guidance</b>					
Capex	5,100	5,225	5,150		15,475
Rate Base	40,700	43,500	46,000		
<b>3-Year Capex Difference</b>	<b>225</b>	<b>700</b>	<b>600</b>	<b>5,875</b>	<b>1,525</b>
<b>Rate Base Difference</b>	<b>500</b>	<b>700</b>	<b>1,300</b>	<b>50,700</b>	

Source: Company reports, MSUSA estimates



Compared to its guidance last year, the utilities' 3-year capital spending through 2021 went up by \$1.5 billion and rate base increased by \$1.3 billion for the same period.

### ***Ratable Hedging***

Exelon in its fourth quarter 2018 presentation extended its hedging disclosure to include 2021. Gross margin in 2021 is down \$250 million from 2020 levels in part due to weakening capacity prices and a backwardated forward curve for power prices. Exelon highlighted that it remains behind their ratable hedging program in all years. Exelon ended the year 9%-12% behind its targets in 2019; 8%-11% behind in 2020 and 2%-5% behind in 2021. According to the company actual spot prices in 2018 were very strong providing a favorable variance to hedge prices. The company believes that this trend will continue into future years supporting its strategy of lower hedging levels.

## **Valuation**

### ***Base Case***

Using a sum of the parts analysis on 2021 results we derive a price target of \$47.00 per share. Based on the February 19, 2018 closing price of \$48.15, this represents price appreciation potential of (2.4)% and total return potential of 0.6% including the company's current yield of 3.0%. Our price target is derived as follows:

We value the regulated electric distribution and transmission 2021 earnings of \$2.00 using a P/E multiple of 17.4 times, equivalent to the electric group average multiple, resulting in a price target of \$35.00.

We value the regulated gas distribution 2021 earnings of \$0.43 using a P/E multiple of 19.8 times, equivalent to the gas group average multiple, resulting in a price target of \$8.50.

We value ExGen 2021 generation EBITDA less maintenance capex of \$836 million plus \$145 million to account for PJM FastStart at an 8.8 times EV/EBITDA multiple resulting in a price target of \$2.00.

We value ExGen retail 2021 EBITDA of \$1.0 billion at a 6.5 times EV/EBITDA multiple resulting in a price target of \$6.50.

Adjusting for unallocated debt, net of a 28% tax shield, reduces the price by \$5.00.

Consistent with our methodology our price targets are dynamic changing with the group average P/E multiples and EV/EBITDA multiples recalculated on a daily basis.

### ***Bull Case***

Under our bull case scenario generation EBITDA would increase by \$515 million based on assumed market heat rate expansion of 1,000. Using an 8.8 times multiple on merchant generation results in a \$4.25 positive revision in our price target.



### *Bear Case*

Under our bear case assumption the company's rights to receive an estimated \$700 million of ZEC payments in New York, Illinois and New Jersey would be overturned by the courts. Using an 8.8 times multiple on merchant generation results in a \$6.00 negative revision in our price target.

### Company Models

In the pages that follow, we highlight our detailed consolidated financial model, including both historical and projections for income statement, cash flow and balance sheet for Exelon Corporation from 2015 to 2021. To derive the consolidated results, we modeled full financials for each operating subsidiary. Clients who would like the full models may obtain them through their MSUSA representative or by direct request to the authors.

#### Exhibit 3: Income Statement

<b>Consolidated Income Statement</b>							
<i>(\$ millions)</i>	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Revenues	\$20,700	\$31,905	\$33,701	\$36,248	\$35,792	\$35,920	\$36,212
Cost of Goods Sold	4,602	13,035	13,963	16,632	16,418	16,400	16,414
O&M	8,232	9,196	9,438	9,065	8,727	8,726	8,794
Other Expenses	(4)	(6)	(2)	(8)	(5)	(4)	(5)
Taxes Other than Income	1,200	1,575	1,733	1,782	1,639	1,662	1,687
<b>EBITDA</b>	<b>\$6,670</b>	<b>\$8,105</b>	<b>\$8,569</b>	<b>\$8,777</b>	<b>\$9,014</b>	<b>\$9,135</b>	<b>\$9,322</b>
D&A	2,450	3,232	3,576	3,800	3,816	3,983	4,154
<b>EBIT</b>	<b>\$4,220</b>	<b>\$4,873</b>	<b>\$4,993</b>	<b>\$4,977</b>	<b>\$5,197</b>	<b>\$5,152</b>	<b>\$5,169</b>
Interest	1,079	1,383	1,502	1,529	1,561	1,536	1,624
Other Income	271	289	418	513	144	148	152
<b>EBT</b>	<b>\$3,412</b>	<b>\$3,779</b>	<b>\$3,909</b>	<b>\$3,961</b>	<b>\$3,780</b>	<b>\$3,765</b>	<b>\$3,697</b>
Taxes	1,165	1,299	1,441	720	729	724	709
Preferred Dividends	20	(8)	0	215	(8)	(8)	(8)
<b>Net Income</b>	<b>\$2,227</b>	<b>\$2,488</b>	<b>\$2,468</b>	<b>\$3,026</b>	<b>\$3,059</b>	<b>\$3,048</b>	<b>\$2,996</b>
<b>EPS</b>	<b>\$2.49</b>	<b>\$2.68</b>	<b>\$2.60</b>	<b>\$3.12</b>	<b>\$3.16</b>	<b>\$3.15</b>	<b>\$3.09</b>

Source: Company reports, MSUSA estimates



### Exhibit 4: Cash Flow Statement

<b>Consolidated Cash Flow Statement</b>							
<i>(\$ millions)</i>	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Net Income	\$2,227	\$2,467	\$2,431	\$3,213	\$3,022	\$3,011	\$2,959
Depreciation	2,355	3,282	3,474	3,698	3,714	3,881	4,052
Deferred Taxes	657	774	659	361	225	232	242
Maintenance Cap-Ex	(2,292)	(2,958)	(3,091)	(3,193)	(3,303)	(3,394)	(3,540)
Growth Cap-Ex	(3,574)	(4,545)	(4,009)	(3,357)	(3,047)	(3,556)	(3,210)
Net Cash Generation	(627)	(980)	(536)	722	611	174	503
EBITDA + Other Income	6,897	8,554	8,901	9,200	9,065	9,186	9,373
Interest Expense	325	735	677	700	665	793	863
Pfd. Dividends	(14)	(9)	4	(2)	(1)	(1)	(1)
Common Dividends	1,105	1,166	1,266	1,337	1,405	1,475	1,549

Source: Company reports, MSUSA estimates

### Exhibit 5: Balance Sheet

<b>Consolidated Balance Sheet</b>							
<i>(\$ millions)</i>	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Cash & Equivalents	\$2,940	\$2,007	\$966	\$2,259	\$1,187	\$676	\$676
Short Term Debt	\$1,154	\$1,331	\$1,014	\$1,123	\$1,123	\$1,123	\$1,123
Revolver	0	0	0	0	0	1,041	941
Current Portion of Long Term Debt	1,674	2,032	1,512	1,975	3,000	1,337	1,250
Long Term Debt	22,884	32,269	32,233	32,118	29,833	30,696	31,396
0	0	0	0	0	0	0	0
<b>Total Debt</b>	<b>\$25,712</b>	<b>\$35,632</b>	<b>\$34,759</b>	<b>\$35,216</b>	<b>\$33,956</b>	<b>\$34,197</b>	<b>\$34,710</b>
Preferred Stock	0	0	0	0	0	0	0
<b>Total Debt &amp; Preferred</b>	<b>\$25,712</b>	<b>\$35,632</b>	<b>\$34,759</b>	<b>\$35,216</b>	<b>\$33,956</b>	<b>\$34,197</b>	<b>\$34,710</b>
Shareholder's Equity	26,876	25,990	24,366	24,347	23,861	23,180	22,249
Goodwill Portion of Equity	0	0	0	0	0	0	0
Goodwill / Shareholder's Equity	0	0	0	0	0	0	0
<b>Total Book Capitalization</b>	<b>\$52,588</b>	<b>\$61,622</b>	<b>\$59,125</b>	<b>\$59,563</b>	<b>\$57,817</b>	<b>\$57,376</b>	<b>\$56,959</b>
Off-Balance Sheet Debt	0	0	0	0	0	0	0
Consolidated Debt/Pfd. Assoc. w/Min. Int. E	0	0	0	0	0	0	0
<b>Total Credit Capitalization</b>	<b>\$52,588</b>	<b>\$61,622</b>	<b>\$59,125</b>	<b>\$59,563</b>	<b>\$57,817</b>	<b>\$57,376</b>	<b>\$56,959</b>

Source: Company reports, MSUSA estimates



## Price Target Calculation and Key Risks

**Price Target Calculations:** Our price target is derived as follows: (i) we value the regulated electric distribution and transmission 2021 earnings of \$2.00 using a P/E multiple of 17.4 times, equivalent to the electric group average multiple, resulting in a price target of \$35.00; (ii) we value the regulated gas distribution 2021 earnings of \$0.43 using a P/E multiple of 19.8 times, equivalent to the gas group average multiple, resulting in a price target of \$8.50; (iii) we value ExGen 2021 generation EBITDA less maintenance capex of \$836 million plus \$145 million to account for PJM FastStart at an 8.8 times EV/EBITDA multiple resulting in a price target of \$2.00; (iv) we value ExGen retail 2021 EBITDA of \$1.0 billion at a 6.5 times EV/EBITDA multiple resulting in a price target of \$6.50; (v) adjusting for unallocated debt, net of a 28% tax shield, reduces the price by \$5.00. Consistent with our methodology our price targets are dynamic changing with the group average P/E multiples and EV/EBITDA multiples recalculated on a daily basis.

**Key Risks:** Weak commodity outlook, general economic conditions, changes in state and/or Federal regulation, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.



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**Investment Risks and Valuation Methods can be located in the following section of this research report - Price Target Calculation and Key Risks.**

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**Buy:** Stock's total return is expected to appreciate above the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 12 months.

**Neutral:** Stock's total return is expected to be within the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 12 months.

**Underperform:** Stock's total return is expected to depreciate below the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 12 months.

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<b>Neutral:</b>	Stocks for which the anticipated share price appreciation is within 10% of the share price.
<b>Underperform:</b>	Stocks for which the anticipated share price falls by 10% or more.
<b>RS:</b>	Rating Suspended - rating and price objective temporarily suspended.
<b>NR:</b>	No Rating - not covered, and therefore not assigned a rating.

### Rating Distribution

(As of 2/19 )	% of coverage	IB service past 12 mo
Buy (Buy)	54.85%	52.49%
Hold (Neutral)	41.52%	50.36%
Sell (Underperform)	3.64%	16.67%

For disclosure purposes only (NYSE and FINRA ratings distribution requirements), our Buy, Neutral and Underperform ratings are displayed as Buy, Hold and Sell, respectively.


**Rating and Price Target History for: Exelon Corporation (EXC) as of 02-19-2019**


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J.P.Morgan

## Exelon Corp.

## Model Update

We are updating our model. Please see changes below.

North America Equity Research  
19 February 2019

## Neutral

EXC, EXC US

Price: \$48.26

▲ **Price Target: \$51.00**  
Previous: \$48.00

## Utilities and Power

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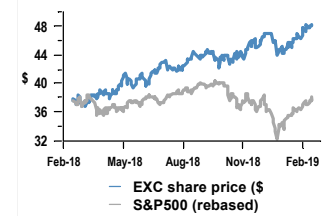
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J.P. Morgan Securities LLC

## Price Performance



	YTD	1m	3m	12m
Abs	7.0%	5.4%	5.9%	28.7%
Rel	-3.7%	-0.9%	4.2%	27.1%

## Exelon Corp. (EXC;EXC US)

FYE Dec	2017A	2018A	2019E (Prev)	2019E (Curr)	2020E (Prev)	2020E (Curr)	2021E (Prev)	2021E (Curr)
adj. EPS (\$)								
Q1 (Mar)	0.65	0.96	-	0.87	-	-	-	-
Q2 (Jun)	0.54	0.71	-	0.62	-	-	-	-
Q3 (Sep)	0.85	0.88	-	0.99	-	-	-	-
Q4 (Dec)	0.55	0.58	-	0.69	-	-	-	-
FY	2.60	3.12	3.17	3.16	3.11	3.15	3.02	3.11
Bloomberg EPS FY (\$)	2.65	3.12	-	3.16	-	3.18	-	3.13

Source: Company data, Bloomberg, J.P. Morgan estimates.

## Company Data

Price (\$)	48.26
Date Of Price	15 Feb 19
52-week Range (\$)	48.26-36.50
Market Cap (\$ mn)	46,812.20
Fiscal Year End	Dec
Shares O/S (mn)	970
Price Target (\$)	51.00
Price Target End Date	31-Dec-19

## See page 4 for analyst certification and important disclosures.

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19 February 2019

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## Investment Thesis, Valuation and Risks

### Exelon Corp. (Neutral; Price Target: \$51.00)

#### Investment Thesis

Exelon is poised to benefit from improving trends on both the energy and capacity side of the ExGen business. Most notably, we see the company as well positioned to benefit from PJM capacity market reform and potential IL legislation that is supportive of its nuclear units in the state. We also see the utility business as benefiting from 7%+ rate base growth through 2021 and generally flat to modestly improving earned ROE over the period. In our opinion, these positives are priced into EXC shares at their current level.

#### Valuation

We raise our December 2019 price target to \$51 from \$48. Our valuation is based on a sum-of-the-parts analysis using our 2020 forecasts. We use an average 19.9x P/E multiple for the regulated utility and corporate business segments. ExGen is valued using a 7.25x open EV/EBITDA multiple based on independent power producer peers and adjusted for hedged mark-to-market margins. A 95% risked value of IL, NY, and NJ ZECs is also included in our price target. Our price target is higher due to an improvement in utility peer multiples, partly offset by a lower ExGen EPS forecast since our last update.

#### Risks to Rating and Price Target

- Regulated electric and gas utilities are subject to strict federal and state regulation, including determinations of allowed revenues. Any change to regulations may cause future earnings power to differ materially from current expectations.
- A portion of the company's earnings are derived from wholesale power sales in deregulated markets. Changes in the price of natural gas are highly correlated to the price of electricity and impact revenues accordingly. Additionally, changes in the price of fuel or fuel transportation such as coal or rail services may have a material impact on gross margin.
- The company operates a fleet of nuclear power plants, exposing it to strict regulatory requirements regarding the operation and maintenance of plants. Changes to these requirements could significantly increase costs, resulting in a change to our earnings expectations.

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## Exelon Corp.: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY17A	FY18A	FY19E	FY20E	FY21E		1Q19E	2Q19E	3Q19E	4Q19E	
Revenue	33,701	36,248	36,660	36,754	36,694	Revenue	9,729	8,134	9,609	9,189	
COGS	(13,963)	(16,632)	(17,862)	(17,862)	(17,737)	COGS	(4,936)	(3,653)	(4,677)	(4,598)	
Gross profit	19,738	19,616	18,798	18,892	18,957	Gross profit	4,793	4,481	4,932	4,591	
SG&A	(11,173)	(10,847)	(10,577)	(10,527)	(10,499)	SG&A	(2,664)	(2,630)	(2,632)	(2,651)	
Adj. EBITDA	8,987	9,290	8,965	9,109	9,204	Adj. EBITDA	2,315	2,038	2,486	2,126	
D&A	(3,576)	(3,800)	(3,772)	(3,802)	(3,906)	D&A	(936)	(944)	(950)	(942)	
Adj. EBIT	5,411	5,490	5,193	5,308	5,298	Adj. EBIT	1,379	1,094	1,536	1,184	
Net Interest	(1,502)	(1,529)	(1,517)	(1,573)	(1,634)	Net Interest	(375)	(379)	(380)	(383)	
Adj. PBT	3,909	3,961	3,676	3,735	3,664	Adj. PBT	1,004	715	1,157	801	
Tax	(1,441)	(720)	(604)	(668)	(628)	Tax	(162)	(117)	(194)	(132)	
Minority Interest	3	(215)	0	0	0	Minority Interest	0	0	0	0	
Adj. Net Income	2,471	3,026	3,072	3,066	3,036	Adj. Net Income	842	598	963	669	
Reported EPS	2.60	3.12	3.16	3.15	3.11	Reported EPS	0.87	0.62	0.99	0.69	
Adj. EPS	2.60	3.12	3.16	3.15	3.11	Adj. EPS	0.87	0.62	0.99	0.69	
DPS	1.33	1.40	1.47	1.54	1.62	DPS	0.36	0.36	0.36	0.38	
Payout ratio	51.0%	44.8%	46.5%	49.0%	51.9%	Payout ratio	41.8%	58.9%	36.6%	55.4%	
Shares outstanding	949	969	971	973	975	Shares outstanding	970	971	971	972	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY17A	FY18A	FY19E	FY20E	FY21E		FY17A	FY18A	FY19E	FY20E	FY21E
Cash and cash equivalents	898	1,781	0	0	0	Gross margin	58.6%	54.1%	51.3%	51.4%	51.7%
Accounts receivable	5,533	5,863	5,863	5,863	5,863	EBITDA margin	26.7%	25.6%	24.5%	24.8%	25.1%
Other current assets	5,403	5,716	6,079	6,472	6,847	EBIT margin	16.1%	15.1%	14.2%	14.4%	14.4%
Current assets	11,834	13,360	11,942	12,335	12,710	Net profit margin	7.3%	8.3%	8.4%	8.3%	8.3%
PP&E	74,202	76,707	80,185	84,258	87,852	ROE	8.9%	10.0%	9.7%	9.2%	8.7%
Other non current assets	30,664	29,599	29,240	28,881	28,646	ROA	2.1%	2.6%	2.5%	2.5%	2.4%
Total assets	116,700	119,666	121,366	125,474	129,209	ROCE	5.4%	6.8%	6.4%	6.2%	6.0%
Short term borrowings	3,017	2,063	2,063	2,063	2,063	SG&A/Sales	33.2%	29.9%	28.9%	28.6%	28.6%
Payables	3,532	3,800	3,800	3,800	3,800	Net debt/equity	107.9%	105.1%	103.0%	103.2%	103.0%
Other short term liabilities	4,247	5,541	5,541	5,541	5,541	P/E (x)	18.5	15.5	15.3	15.3	15.5
Current liabilities	10,796	11,404	11,404	11,404	11,404	P/BV (x)	1.6	1.5	1.4	1.4	1.3
Long-term debt	32,565	34,465	33,814	35,587	37,131	EV/EBITDA (x)	7.6	7.4	7.8	7.9	8.0
Other long term liabilities	41,207	40,727	41,331	41,999	42,627	Dividend Yield	2.8%	2.9%	3.0%	3.2%	3.4%
Total liabilities	84,568	86,596	86,549	88,990	91,162	Sales/Assets (x)	0.3	0.3	0.3	0.3	0.3
Shareholders' equity	29,857	30,764	32,511	34,178	35,741	Interest cover (x)	6.0	6.1	5.9	5.8	5.6
Minority interests	2,275	2,306	2,306	2,306	2,306	Operating leverage	88.0%	19.3%	(476.2%)	861.4%	119.0%
Total liabilities & equity	116,700	119,666	121,366	125,474	129,209	Revenue y/y Growth	5.6%	7.6%	1.1%	0.3%	(0.2%)
BVPS	31.00	31.78	33.51	35.16	36.70	EBITDA y/y Growth	7.1%	3.4%	(3.5%)	1.6%	1.0%
y/y Growth	10.9%	2.5%	5.5%	4.9%	4.4%	Tax rate	36.9%	18.2%	16.4%	17.9%	17.1%
Net debt/(cash)	34,684	34,747	35,877	37,650	39,194	Adj. Net Income y/y Growth	(0.6%)	22.5%	1.5%	(0.2%)	(1.0%)
Cash flow from operating activities	7,492	8,644	7,445	7,502	7,429	EPS y/y Growth	(2.9%)	19.9%	1.3%	(0.4%)	(1.2%)
o/w Depreciation & amortization	5,427	5,971	4,672	4,702	4,681	DPS y/y Growth	3.6%	5.3%	5.2%	5.0%	4.7%
o/w Changes in working capital	(1,795)	(1,020)	(363)	(394)	(375)						
Cash flow from investing activities	(7,946)	(7,834)	(7,250)	(7,875)	(7,500)						
o/w Capital expenditure	(7,584)	(7,594)	(7,250)	(7,875)	(7,500)						
as % of sales	22.5%	21.0%	19.8%	21.4%	20.4%						
Cash flow from financing activities	717	(219)	(1,976)	373	71						
o/w Dividends paid	(1,236)	(1,332)	(1,425)	(1,499)	(1,573)						
o/w Net debt issued/(repaid)	680	1,329	(651)	1,772	1,544						
Net change in cash	263	591	(1,781)	(0)	(0)						
Adj. Free cash flow to firm	856	2,301	1,463	918	1,283						
y/y Growth	10.4%	168.7%	(36.4%)	(37.2%)	39.7%						

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

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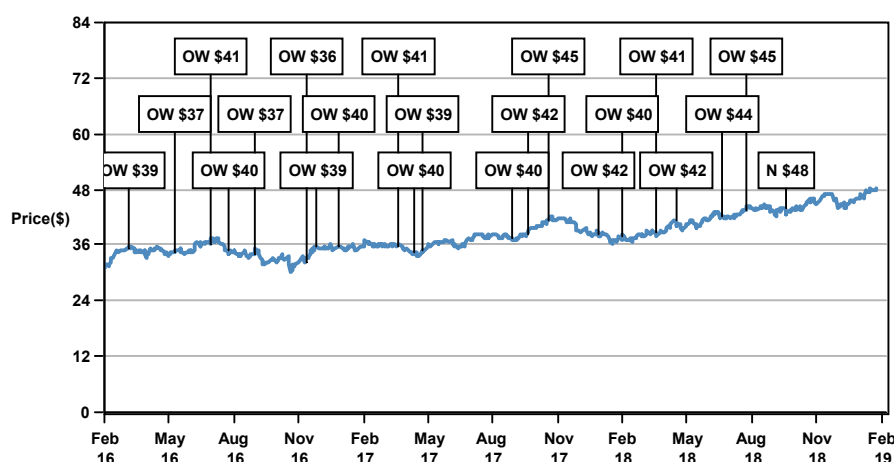
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Exelon Corp. (EXC, EXC US) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
Initiated coverage May 25, 2001. All share prices are as of market close on the previous business day.

Date	Rating	Share Price (\$)	Price Target (\$)
28-Mar-16	OW	35.31	39.00
31-May-16	OW	34.33	37.00
21-Jul-16	OW	36.25	41.00
15-Aug-16	OW	34.94	40.00
20-Sep-16	OW	34.16	37.00
02-Dec-16	OW	32.17	36.00
16-Dec-16	OW	35.73	39.00
18-Jan-17	OW	35.88	40.00
11-Apr-17	OW	35.81	41.00
03-May-17	OW	34.46	40.00
16-May-17	OW	34.70	39.00
18-Sep-17	OW	37.61	40.00
12-Oct-17	OW	38.46	42.00
09-Nov-17	OW	41.32	45.00
17-Jan-18	OW	38.47	42.00
20-Feb-18	OW	37.78	40.00
10-Apr-18	OW	38.59	41.00
08-May-18	OW	41.30	42.00

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11-Jul-18	OW	42.17	44.00
16-Aug-18	OW	43.63	45.00
09-Oct-18	N	44.01	48.00

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

February 15, 2019

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212 651 0847**The Guggenheim Daily Transmission: PCG, CWEN, DUK, ALE, PPL, SR, California, PNW, EXC, WEC, PJM****For Guggenheim's NDR schedule, please scroll down****What's New?****PCG: We are suspending coverage on PG&E Corporation (PCG) as a result of investment banking activity (see our note [HERE](#))****CWEN: Update Confirms Our Dividend Cut View - Caught Up w/Mgmt: Agree Timing Issue; Awaiting Incremental Data Points (see our note [HERE](#))****DUK: Mixed Bag with Quality of NT Earnings Questioned by Some but a Slight Overreaction - Our Outlook Inline (see our note [HERE](#))****ALE – 2018 Posts Slight Beat, 2019 a Transitional Year as Mgmt. Evaluates Use of Proceeds from US Water Sale (see our note [HERE](#))****PPL: Beats, Managing FX Well But UK Business Continues to Weigh on Valuation (see our note [HERE](#))****SR – SR files FERC authorization for new pipeline in Wyoming****California – ALJ seeking comment on proposed IRP****PNW – ACC Staff update and add to 1H19 schedule for retail competition docket/energy rules redesign****EXC – PEPCO MD rate case schedule set by MD PSC****WEC – Decision matrix posted in solar docket, oral arguments set for March 6<sup>th</sup>****PJM – PJM Board initiates 206 process for energy price formation after stakeholders failed to agree on a proposal****SR – SR files FERC authorization for new pipeline in Wyoming**

- SR filed with FERC for authorization to construct a new 10-mile pipeline connecting storage assets in WY.
- The new interconnection will enable greater access to SR storage and provide storage services to a more diverse customer mix.
- SR recently received approval from the FERC to combine storage operations under one certificate.

**Guggenheim takeaway:** The pipeline interconnection highlights SR's continued growth across all segments and could be incremental to the SR growth trajectory, contributing to better execution in the 4-7% range for the Net Economic Earnings (NEEPS). We will be looking towards the April analyst day for further updates on growth prospects and capex plans.

**California – ALJ seeking comment on proposed IRP**

- ALJ, in the CPUC IRP proceeding, is asking for comments on planning methodology.

Ticker	Price	Rating
ALE	77.95	Neutral
CWEN	14.15	Sell
DUK	87.82	Buy
EXC	47.86	Buy
PCG	15.47	Coverage Suspended
PNW	89.54	Neutral
PPL	30.55	Neutral
SR	75.34	Neutral
WEC	74.27	Buy

- The proceeding seeks to inform the 2019-2020 IRP as it focuses on legislative clean energy mandates, such as the 100% RPS by 2045.
- Docket found here: **R.16-02-007**

**Guggenheim takeaway:** *It is interesting to see the CPUC continue pursuit of renewable standards as the credit quality and investability of CA utilities come under question. Comments on the planning methodologies could give some insight into issues and concerns surround the IRP process in this uncertain time for CA utilities.*

**PNW – ACC Staff update and add to 1H19 schedule for retail competition docket/energy rules redesign**

- Stakeholder meeting scheduled for 2/22.
- EV meetings on 3/14 and 3/26.
- DER interconnection proceedings for 3/28 and 3/29.
- A workshop on resource planning in April.
- A workshop on blockchain technology in June.
- A follow-on workshop for retail choice in July.
- Original Docket available [HERE](#), this filing [HERE](#).

**Guggenheim takeaway:** *For your awareness. These are all lower profile/exploratory, but there could be some read-through to the IRP/long-term generation planning processes as the moratorium on new gas plants remains in place through midsummer.*

**EXC – PEPCO MD rate case schedule set by MD PSC**

- Testimony and hearings to be held through April/May with a proposed order in July and final by August 13th
- Filing available [HERE](#), docket [HERE](#).

**Guggenheim takeaway:** *For your awareness.*

**WEC – Decision matrix posted in solar docket, oral arguments set for March 6<sup>th</sup>**

- Decision matrix available [HERE](#).
- Hearing notice [HERE](#).

**Guggenheim takeaway:** *For your awareness.*

**PJM – PJM Board initiates 206 process for energy price formation after stakeholders failed to agree on a proposal**

- The PJM Board has announced the components it will include in its 206 filing to FERC for reforms to energy price formation in the RTO's reserve markets
- Per PJM, The Board's proposal contains the following components:
  1. Consolidation of Tier 1 and Tier 2 Synchronized Reserve products.
  2. Improved utilization of existing capability for locational reserve needs.
  3. Alignment of market-based reserve products in Day-Ahead and Real-Time Markets.
  4. Downward-sloping ORDCs for all reserve products.
  5. Increased penalty factors to ORDCs to ensure utilization of all supply prior to a reserve shortage.

POWER, UTILITIES & ALTERNATIVE ENERGY

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- The proposal is [reportedly](#) missing a clawback mechanism for capacity revenues that had been sought by LSEs.
- PJM release available [HERE](#).

**Guggenheim takeaway:** As expected. We remain on the lookout for the official filing, and the analyses that should provide some insight into the total boost to revenues. As a reminder previous estimates (detailed in our outlook [HERE](#)) have pegged the high side value of these reforms at up to ~\$1.9Bn total.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Thursday, February 14, 2019

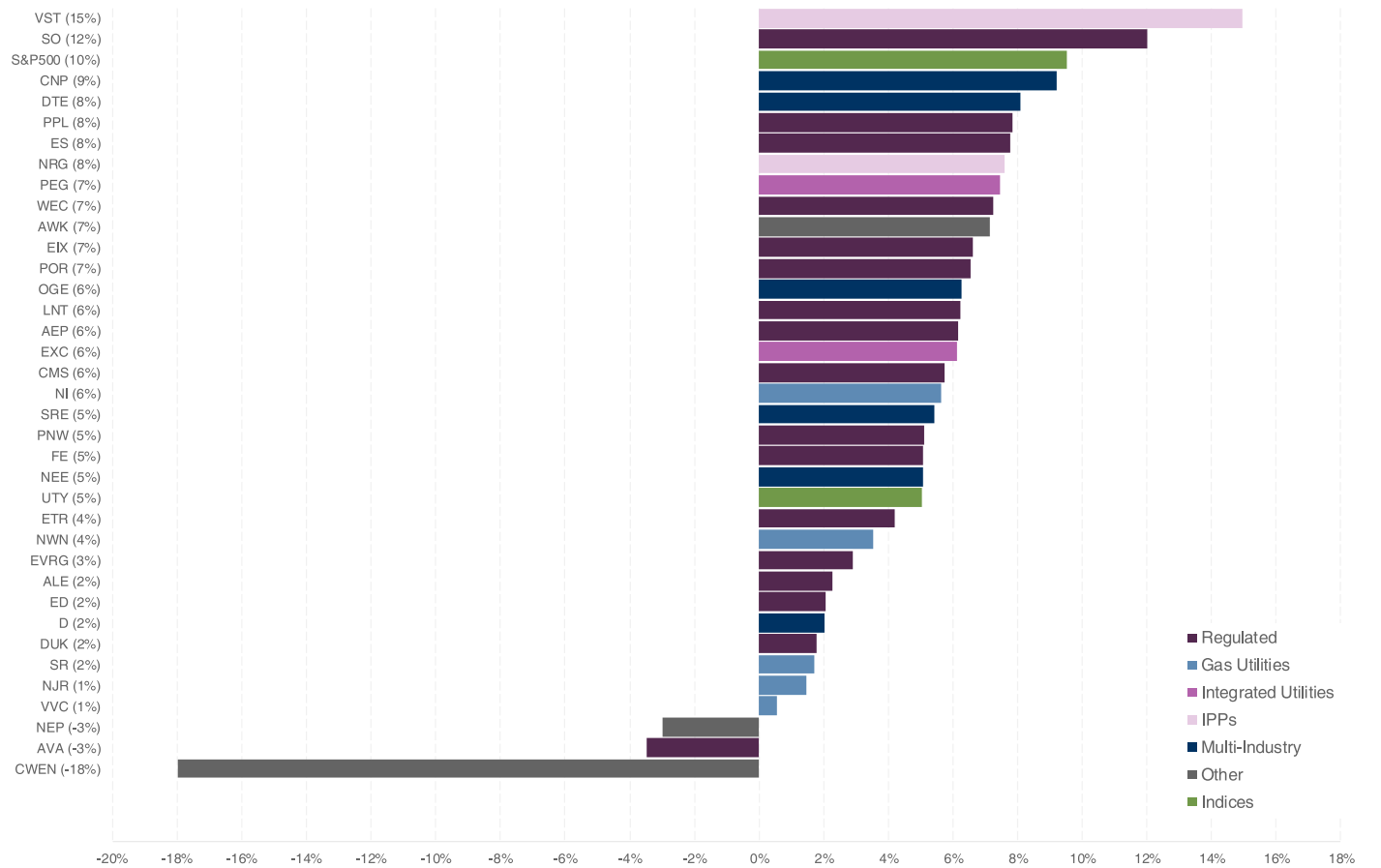
Price as of Close Thursday, February 14, 2019									Guggenheim										Consensus										
Regulated Electric Utilities <sup>(1)</sup>			Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
AEP	American Electric Power	39.1	Neutral	\$78	\$79.35	3.5%	62%	493	3.95	4.17	4.44	4.71	4.93	20.1	19.0	17.9	16.8	16.1	3.95	4.12	4.39	4.65	5.00	20.1	19.3	18.1	17.1	15.9	
ALE	ALLETE	4.0	Neutral	\$74	\$77.95	3.3%	64%	52	3.34	3.71	4.01	4.20	4.46	23.3	21.0	19.5	18.5	17.5	3.41	3.60	3.89	4.07	4.46	22.9	21.6	20.0	19.2	17.5	
AVA	Avista*	2.7	Neutral	\$42	\$41.01	4.0%	71%	66	2.05	2.19	2.31	2.38	2.45	20.0	18.8	17.8	17.2	16.8	2.07	2.02	2.83	2.38	2.45	19.8	20.3	14.5	17.2	16.7	
CMS	CMS Energy	14.9	Neutral	\$53	\$52.50	3.1%	61%	283	2.33	2.50	2.69	2.88	3.08	22.5	21.0	19.5	18.2	17.0	2.33	2.50	2.68	2.87	3.07	22.5	21.0	19.6	18.3	17.1	
DUK	Duke Energy	62.6	Buy	\$94	\$87.82	4.5%	75%	727	4.78	5.00	5.26	5.57	5.91	18.4	17.6	16.7	15.8	14.9	4.72	4.95	5.23	5.52	5.87	18.6	17.7	16.8	15.9	15.0	
ED	Consolidated Edison	24.3	Neutral	\$82	\$78.04	3.9%	66%	311	4.25	4.36	4.61	4.79	4.95	18.4	17.9	16.9	16.3	15.8	4.29	4.28	4.53	4.74	4.91	18.2	18.2	17.2	16.5	15.9	
EIX	Edison International*	19.7	Buy	\$69	\$60.52	4.5%	55%	326	4.15	4.57	4.93	5.37	5.70	14.6	13.2	12.3	11.3	10.6	4.17	4.50	4.78	5.00	5.30	14.5	13.4	12.7	12.1	11.42	
ES	Eversource Energy	22.2	Buy	\$72	\$70.10	3.2%	61%	317	3.27	3.51	3.71	3.94	4.17	21.4	20.0	18.9	17.8	16.8	3.28	3.48	3.70	3.91	4.17	21.4	20.1	18.9	17.9	16.82	
ETR	Entergy	16.2	Buy	\$96	\$89.69	4.2%	67%	181	7.02	5.94	5.66	5.92	6.33	12.8	15.1	15.8	15.2	14.2	7.01	5.82	5.73	5.90	5.98	12.8	15.4	15.7	15.2	15.0	
EVRG	Energy	15.4	Buy	\$63	\$58.42	3.6%	64%	263	2.63	2.93	3.27	3.42	3.58	22.2	19.9	17.9	17.1	16.3	2.60	2.95	3.29	3.42	3.58	22.5	19.8	17.8	17.1	16.3	
FE	FirstEnergy	20.2	Buy	\$46	\$39.45	4.0%	63%	511	2.56	2.54	2.51	2.65	2.80	15.4	15.5	15.7	14.9	14.1	2.54	2.57	2.52	2.64	2.78	15.5	15.4	15.6	15.0	14.2	
LNT	Alliant Energy	10.6	Neutral	\$41	\$44.88	3.3%	63%	236	2.18	2.24	2.37	2.50	2.69	20.6	20.0	18.9	18.0	16.7	2.16	2.26	2.40	2.54	2.69	20.8	19.9	18.7	17.7	16.7	
PNW	Pinnacle West	10.0	Neutral	\$89	\$89.54	3.5%	63%	112	4.49	4.84	5.04	5.25	5.45	19.9	18.5	17.8	17.1	16.4	4.48	4.85	5.03	5.27	5.42	20.0	18.5	17.8	17.0	16.5	
POR	Portland General Electric	4.4	Neutral	\$44	\$48.85	3.3%	63%	89	2.32	2.43	2.54	2.68	2.75	21.1	20.1	19.2	18.2	17.8	2.35	2.45	2.57	2.70	2.75	20.8	19.9	19.0	18.1	17.76	
PPL	PPL Corporation	22.0	Neutral	\$29	\$30.55	5.9%	70%	720	2.36	2.44	2.61	2.74	2.85	12.9	12.5	11.7	11.1	10.7	2.40	2.43	2.54	2.56	2.85	12.7	12.6	12.0	11.9	10.72	
SO	Southern Company	50.6	Neutral	\$44	\$49.20	5.2%	81%	1029	3.07	3.05	3.15	3.31	3.46	16.0	16.1	15.6	14.9	14.2	3.04	3.02	3.13	3.25	3.45	16.2	16.3	15.7	15.1	14.28	
WEC	WEC Energy	23.4	Buy	\$76	\$74.27	3.4%	67%	316	3.34	3.50	3.73	3.98	4.26	22.2	21.2	19.9	18.7	17.4	3.34	3.51	3.74	3.97	4.24	22.2	21.1	19.9	18.7	17.53	
*Average (Excl. EIX, PPL for P/E)						3.7%	62%							19.6	18.8	17.9	17.0	16.1						19.6	19.0	17.7	17.1	16.2	
Regulated Gas Utilities <sup>(2)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
NI	NISource	10.0	Buy	\$29	\$26.78	3.0%	58%	372	1.28	1.38	1.48	1.58	1.68	20.9	19.4	18.1	16.9	15.9	1.28	1.33	1.42	1.51	1.58	21.0	20.2	18.9	17.7	16.9	
NJR	New Jersey Resources	4.1	Sell	\$39	\$46.34	2.6%	60%	89	2.74	1.99	2.19	2.36	2.54	16.9	23.3	21.2	19.6	18.2	2.74	2.10	2.25	2.32	2.54	16.9	22.1	20.6	19.9	18.2	
NWN	NW Natural Gas	1.8	Sell	\$49	\$62.59	3.0%	77%	29	2.17	2.44	2.60	2.66	2.71	28.8	25.7	24.1	23.5	23.1	2.22	2.46	2.58	2.64	2.71	28.2	25.4	24.3	23.7	23.1	
SR	Spire	3.8	Neutral	\$77	\$75.34	3.2%	65%	51	3.74	3.74	3.89	4.01	4.28	20.1	20.1	19.4	18.8	17.6	3.72	3.74	3.87	3.98	4.30	20.3	20.2	19.4	18.9	17.5	
Average						3.1%	66%							21.7	22.1	20.7	19.7	18.7						21.6	22.0	20.8	20.1	19.0	
Integrated Utilities <sup>(3)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
EXC	Exelon	46.4	Buy	\$53	\$47.86	3.0%	45%	970	3.12	3.16	3.25	3.17	3.21	15.3	15.1	14.7	15.1	14.9	3.12	3.16	3.17	3.15	3.36	15.3	15.1	15.1	15.2	14.2	
PEG	PSEG	28.3	Buy	\$59	\$55.93	3.4%	58%	505	3.13	3.28	3.49	3.60	3.83	17.9	17.1	16.0	15.5	14.6	3.10	3.23	3.54	3.65	3.88	18.0	17.3	15.8	15.3	14.4	
Average						3.2%	51%							16.6	16.1	15.4	15.3	14.8						16.7	16.2	15.4	15.3	14.3	
Independent Power Producers (IPPs) <sup>(4)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
NRG	NRG Energy	12.4	Buy	\$51	\$42.61	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	NA	NA	NA	NA	NA	1,775	2,008	1,835	1,840	1,936	10.0	8.7	9.2	9.5	NA	
VST	Vistra Energy	13.3	Buy	\$37	\$26.31	1.9%	0%	504	2,800	3,307	3,355	3,402	3,402	8.5	7.3	7.1	6.9	6.6	2,760	3,368	3,340	3,255	3,654	8.4	6.8	6.6	6.2	NA	
Average														8.5	7.3	7.1	6.9	6.6						9.2	7.7	7.9	7.8	NA	
Multi-Industry Utilities <sup>(5)</sup>			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
CNP	CenterPoint	15.5	Buy	\$33	\$30.83	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.5	17.9	16.9	16.1	15.3	1.58	1.69	1.82	1.94	2.02	19.5	18.2	17.0	15.9	15.3	
D	Dominion	58.9	Buy	\$82	\$72.90	5.0%	87%	808	4.04	4.24	4.44	4.68	4.92	18.0	17.2	16.4	15.6	14.8	4.05	4.22	4.41	4.66	4.94	18.0	17.3	16.5	15.7	14.8	
DTE	DTE Energy	21.7	Buy	\$129	\$119.21	3.2%	60%	182	6.30	6.26	6.72	7.21	7.63	18.9	19.0	17.7	16.5	15.6	6.30	6.23	6.59	7.04	7.52	18.9	19.1	18.1	16.9	15.9	
NEE	NexEra	87.3	Buy	\$205	\$182.61	2.7%	58%	478	7.83	8.63	9.19	9.91	10.52	23.3	21.2	19.9	18.4	17.4	7.70	8.40	9.07	9.75	10.49	23.7	21.7	20.1	18.7	17.4	
OGE	OGE Energy	8.3	Neutral	\$41	\$41.64	3.6%	70%	200	2.06	2.14	2.30	2.41	2.51	20.2	19.5	18.1	17.3	16.6	2.07	2.14	2.31	2.41	2.51	20.1	19.4	18.0	17.3	16.6	
SRE	Sempra Energy	31.2	Buy	\$133	\$114.05	3.4%	64%	274	5.47	6.13	7.29	7.60	7.96	20.9	18.6	15.6	15.0	14.3	5.43	6.03	7.20	7.52	7.88	21.0	18.9	15.8	15.2	14.5	
Average						3.6%	68%							20.1	18.9	17.5	16.5	15.7						20.2	19.1	17.6	16.6	15.7	
Other			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
AWK	American Water Works	17.6	Neutral	\$96	\$97.25	2.0%	54%	181	3.30	3.61	3.96	4.27	4.60	29.5	27.0	24.5	22.8	0.0	3.30	3.58	3.89	4.26	4.64	29.5	27.2	25.0	22.9	20.9	
			Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	
CWEN	Cleanway Energy	3.0	Neutral	\$17	\$14.15	9.3%	NA	183	1,039	1,069	1,116	1,159	1,159	8.6	8.5	8.5	8.1	8.5	995	1,012	1,094	1,125	NA	8.2	8.3	7.8	7.0	-	
NEP	NexEra Energy Partners	2.3	Buy	\$56	\$41.76	4.9%	NA	56	1,106	1,393	1,560	1,811	1,811	9.0	7.7	7.4	7.1	0.0	881	1,125	1,286	1,496	1,981	11.2	9.5	9.0	8.6	NA	

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Share Price Performance (Year-to-Date)

## Year-to-Date Share Price Performance

**Note: We are currently restricted on PCG and SJJ due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	VST	5/8-5/9	West Coast
FE	1/22-1/23	Boston/NYC	SRE	5/13-5/15	West Coast
D	2/25-2/26	Boston/NYC	LNT	6/4	Boston
WEC	2/27-2/28	West Coast	DUK	6/6-6/7	Midwest
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/26	NYC	ETR	9/12-9/13	TBD
ALE	4/2-4/4	TBD	CMS	11/21-11/22	Texas
DTE	4/5	Boston			
POR	4/29-4/30	West Coast			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
TBD	ED	Gas Rate Case	CECONY	NY	19-G-0066	Rate case filed 1/31/19, awaiting scoping memo
TBD	ED	Electric Rate Case	CECONY	NY	19-E-0065	Rate case filed 1/31/19, awaiting scoping memo
02/18	CMS	IRP	Consumers Energy Co.	MI	U-20165	PFD Target Date
02/19	SO	VCM	Georgia Power	GA	VCM19	PSC votes to approve VCM19 spend
02/19	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Rebuttal Testimony
02/20	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Motions for Hearings
02/21	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Decision expected
02/22	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Motions to Strike
02/25	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Responses to motions for hearings
Week of Feb. 25,	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Focused Issue workshop
02/26	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Company rebuttal testimony due
02/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Responses to Motions
02/26	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Pre-hearing conference
02/28	SO	VCM	Georgia Power	GA	VCM19	Filing of VCM20 report
02/28	D	Limited issue rider	Virginia Electric Power Co	VA	C-PUR-2018-00083 (Rider B)	Decision expected in rider B
02/28	EIX	FERC Formula Rates	SDG&E	FERC	ER18-169-000 and EL18-44 (the "Formula Rate)	Settlement Conferences
03/01	CMS	IRP	Consumers Energy Co.	MI	U-20165	Exceptions
03/04	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Hearing to begin
03/04	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor testimony served
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due
03/11	DUK	Electric Rate Case	DEC/DEP	SC	2018-319-E	Rebuttal testimony due
03/11	CMS	IRP	Consumers Energy Co.	MI	U-20165	Replies to Exceptions
Start March	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Evidentiary hearings
03/12	OGE	Electric Rate Case	Oklahoma Gas and Electric Co.	AR	D-18-046-FR	Commission order expected in FRP proceeding
03/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor comments filed and served (Alternative)

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
5. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
6. [Guggenheim's 2018 EEI Summary](#)
7. [Guggenheim EEI Takeaways - Day 3](#)
8. [Guggenheim EEI Takeaways - Day 2](#)
9. [Guggenheim EEI Takeaways - Day 1](#)
10. [Guggenheim EEI - Investor Question Bank](#)
11. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
12. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
13. [Coal/Nuclear: Will Politics "Trump" Reality](#)
14. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
15. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
16. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
17. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
18. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
19. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
20. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
21. [Guggenheim EEI Takeaways - Day 1](#)
22. [Guggenheim EEI Takeaways - Day 2](#)
23. [Guggenheim EEI Takeaways - Day 3](#)
24. [Utility and IPP 3Q17 Model Sweep](#)
25. [DOE Texas Tango – Will FERC Dance?](#)
26. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
27. [AGA Conference Highlights and Management Meeting Takeaways](#)
28. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
3. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
4. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
5. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
6. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
7. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
8. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
9. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
10. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
11. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
12. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
13. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
14. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
15. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
16. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
17. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
18. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
19. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
20. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
21. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
22. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
23. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
24. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
25. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)

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26. [FE – “Can’t Always Get What You Want, Get What You Need”: Above Avg. Growth, Deep Discount Generating Vast Interest](#)
27. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
28. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
29. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
30. [CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
31. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
32. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
33. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
34. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
35. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
36. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
37. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
38. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
39. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a “Premium” Watermark with Their Standalone Plan](#)

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**Exelon Corp. (EXC)**

Higher than previously expected costs to weigh on ExGen, partly offset by regulated growth - remain Sell

Sell

<b>EXC</b>	12m Price Target: <b>\$43.00</b>	Price: <b>\$47.92</b>	Downside: <b>10.3%</b>
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**Following 4Q2018 earnings, we decrease our 2019/2020 EPS estimates for EXC to \$3.18/\$3.01 from \$3.21/\$3.26 and introduce our 2021 estimate at \$3.02.** Our updated estimates reflect (1) 4Q2018 results, (2) revised hedging and gross margin guidance at ExGen, (3) updated rate cases at EXC's regulated businesses, (4) increased regulated utility rate base growth, (5) updated cost management — largely at ExGen, (6) our updated power demand forecast, and (7) revisions to our financing assumptions.

**We see greater headwinds at ExGen as we continue to expect energy margin deterioration through 2021 and now assume less cost management at this business.** We previously assumed cost management meaningfully above guidance levels at ExGen, but given weaker guidance we increase O&M at the segment to levels near the revised guidance. We estimate that ExGen's capacity revenue declines from \$1.37bn in 2019 to \$1.25bn in 2021, but ExGen's energy margin declines much more dramatically from \$5.17bn in 2019 to \$4.14bn in 2021 (a 20% decline in two years).

**While we decrease our non-regulated estimates, increased regulated capital spending guidance at 4Q2018 drives higher regulated earnings power.** We expect EXC's legacy utilities — ComEd, PECO, and BGE — continue to earn at or near authorized through 2021. At the PHI utilities — which have historically under-earned meaningfully — we expect significant earned RoE improvement by 2021, driven by DPL and ACE.

**We remain Sell-rated with a \$43, 12-month target price,** derived using a sum-of-the-parts analysis. While we decrease our 2020 estimates, due to lower merchant earnings power, our price target remains unchanged given increased regulated EPS — a higher

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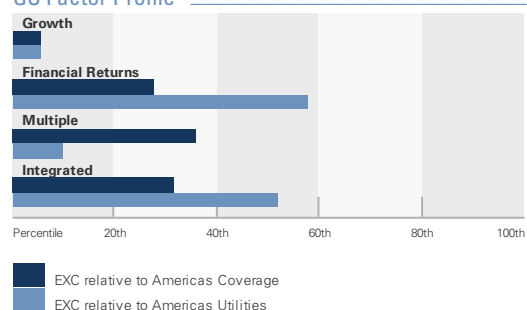
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**Key Data**

Market cap: \$46.6bn  
Enterprise value: \$84.4bn  
3m ADTV: \$263.3mn  
United States  
America-Diversified Utilities: Neutral  
M&A Rank: 3

**GS Forecast**

	12/18	12/19E	12/20E	12/21E
<b>Revenue (\$ mn) New</b>	<b>35,986.0</b>	<b>26,736.6</b>	<b>26,442.8</b>	<b>26,776.0</b>
Revenue (\$ mn) Old	33,640.2	26,789.4	26,548.9	—
EBITDA (\$ mn)	8,193.0	8,947.6	8,830.6	9,014.9
EBIT (\$ mn)	3,841.0	5,027.3	5,019.3	5,076.9
<b>EPS (\$) New</b>	<b>3.12</b>	<b>3.18</b>	<b>3.01</b>	<b>3.02</b>
EPS (\$) Old	3.08	3.21	3.26	—
P/E (X)	13.3	15.1	15.9	15.9
Dividend yield (%)	3.3	3.0	3.2	3.3
Net debt/EBITDA (X)	4.3	4.0	4.1	4.1
EPS (\$)	12/18	3/19E	6/19E	9/19E
	0.58	0.92	0.71	0.89

**GS Factor Profile**

Source: Company data, Goldman Sachs Research estimates.  
See disclosures for details.

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## Goldman Sachs

Exelon Corp. (EXC)

Sell

## Exelon Corp. (EXC)

Rating since Jan 3, 2019

## Ratios &amp; Valuation

	12/18	12/19E	12/20E	12/21E
P/E (X)	13.3	15.1	15.9	15.9
EV/EBITDA (X)	9.5	9.4	9.7	9.5
EV/sales (X)	2.2	3.2	3.2	3.2
FCF yield (%)	2.6	3.0	1.5	2.8
EV/DACF (X)	7.2	8.4	8.7	8.6
CROCI (%)	10.0	8.8	8.1	7.8
ROE (%)	6.6	9.2	8.9	8.5
Net debt/EBITDA (X)	4.3	4.0	4.1	4.1
Net debt/equity (%)	106.4	101.7	100.0	97.3
Interest cover (X)	2.5	3.3	3.4	3.4
Inventory days	36.5	83.3	84.3	83.6
Receivable days	57.8	80.0	80.9	79.9
Days payable outstanding	80.3	187.9	190.0	188.4

## Growth &amp; Margins (%)

	12/18	12/19E	12/20E	12/21E
Total revenue growth	7.3	(25.7)	(1.1)	1.3
EBITDA growth	7.3	9.2	(1.3)	2.1
EPS growth	19.9	2.0	(5.4)	0.3
DPS growth	5.3	5.0	5.0	5.0
Gross margin	53.7	72.4	72.4	72.5
EBIT margin	10.7	18.8	19.0	19.0

## Price Performance



Source: FactSet. Price as of 12 Feb 2019 close.

## Income Statement (\$ mn)

	12/18	12/19E	12/20E	12/21E
Total revenue	35,986.0	26,736.6	26,442.8	26,776.0
Cost of goods sold	(16,670.0)	(7,383.1)	(7,299.0)	(7,360.1)
SG&A	(9,339.0)	(8,728.9)	(8,610.6)	(8,672.3)
R&D	0.0	0.0	0.0	0.0
Other operating inc./exp.)	(1,784.0)	(1,677.0)	(1,702.6)	(1,728.8)
<b>EBITDA</b>	<b>8,193.0</b>	<b>8,947.6</b>	<b>8,830.6</b>	<b>9,014.9</b>
Depreciation & amortization	(4,352.0)	(3,920.3)	(3,811.3)	(3,937.9)
<b>EBIT</b>	<b>3,841.0</b>	<b>5,027.3</b>	<b>5,019.3</b>	<b>5,076.9</b>
Net interest inc./exp.)	(1,553.0)	(1,522.2)	(1,490.6)	(1,512.0)
Income/(loss) from associates	(28.0)	—	—	—
<b>Pre-tax profit</b>	<b>2,203.0</b>	<b>3,753.2</b>	<b>3,777.5</b>	<b>3,814.6</b>
Provision for taxes	(120.0)	(677.5)	(774.7)	(817.9)
Minority interest	(74.0)	(161.8)	(71.9)	(53.3)
Preferred dividends	0.0	0.0	—	—
<b>Net inc. (pre-exceptionals)</b>	<b>2,009.0</b>	<b>2,913.9</b>	<b>2,930.9</b>	<b>2,943.4</b>
<b>Net inc. (post-exceptionals)</b>	<b>3,026.0</b>	<b>3,095.6</b>	<b>2,930.9</b>	<b>2,943.4</b>
<b>EPS (basic, pre-exception)</b> (\$)	<b>2.08</b>	<b>3.00</b>	<b>3.02</b>	<b>3.03</b>
<b>EPS (diluted, pre-exception)</b> (\$)	<b>2.07</b>	<b>3.00</b>	<b>3.01</b>	<b>3.02</b>
<b>EPS (ex-ESO exp., dil.)</b> (\$)	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
DPS (\$)	1.38	1.45	1.52	1.60
Div. payout ratio (%)	66.5	48.2	50.4	52.8
Wtd avg shares out. (basic) (mn)	967.8	970.3	971.3	972.3
Wtd avg shares out. (diluted) (mn)	969.5	972.3	973.3	974.3

## Balance Sheet (\$ mn)

	12/18	12/19E	12/20E	12/21E
Cash & cash equivalents	1,349.0	146.0	45.6	44.9
Accounts receivable	5,863.0	5,863.0	5,863.0	5,863.0
Inventory	1,685.0	1,685.0	1,685.0	1,685.0
Other current assets	4,463.0	4,463.0	4,463.0	4,463.0
<b>Total current assets</b>	<b>13,360.0</b>	<b>12,157.0</b>	<b>12,056.6</b>	<b>12,055.9</b>
Net PP&E	76,707.0	79,695.2	83,420.7	86,580.1
Net intangibles	6,677.0	6,677.0	6,677.0	6,677.0
Total investments	625.0	625.0	625.0	625.0
Other long-term assets	22,297.0	21,490.0	20,683.0	19,876.0
<b>Total assets</b>	<b>119,666.0</b>	<b>120,644.2</b>	<b>123,462.3</b>	<b>125,814.0</b>
Accounts payable	3,800.0	3,800.0	3,800.0	3,800.0
Short-term debt	2,063.0	2,063.0	2,063.0	2,063.0
Other current liabilities	5,541.0	5,541.0	5,541.0	5,541.0
<b>Total current liabilities</b>	<b>11,404.0</b>	<b>11,404.0</b>	<b>11,404.0</b>	<b>11,404.0</b>
Long-term debt	34,465.0	33,460.0	34,350.0	34,815.0
Other long-term liabilities	40,727.0	40,992.4	41,347.5	41,742.6
<b>Total long-term liabilities</b>	<b>75,192.0</b>	<b>74,452.4</b>	<b>75,697.5</b>	<b>76,557.6</b>
<b>Total liabilities</b>	<b>86,596.0</b>	<b>85,856.4</b>	<b>87,101.5</b>	<b>87,961.6</b>
Preferred shares	0.0	0.0	--	--
<b>Total common equity</b>	<b>30,764.0</b>	<b>32,320.0</b>	<b>33,821.2</b>	<b>35,259.4</b>
<b>Minority interest</b>	<b>2,306.0</b>	<b>2,467.8</b>	<b>2,539.7</b>	<b>2,593.0</b>
<b>Total liabilities &amp; equity</b>	<b>119,666.0</b>	<b>120,644.2</b>	<b>123,462.3</b>	<b>125,814.0</b>
BVPS (\$)	31.72	33.29	34.80	36.25

## Cash Flow (\$ mn)

	12/18	12/19E	12/20E	12/21E
Net income	2,084.0	3,075.7	3,002.8	2,996.8
D&A add-back	5,971.0	5,472.2	5,331.5	5,472.6
Minority interest add-back	0.0	—	—	—
Net (inc)/dec working capital	(637.0)	—	—	—
Others	1,226.0	209.4	299.0	339.2
<b>Cash flow from operations</b>	<b>8,644.0</b>	<b>8,757.3</b>	<b>8,633.4</b>	<b>8,808.5</b>
Capital expenditures	(7,594.0)	(7,353.4)	(7,950.0)	(7,525.0)
Acquisitions	(154.0)	—	—	—
Divestitures	91.0	—	—	—
Others	(177.0)	(244.0)	(244.0)	(244.0)
<b>Cash flow from investing</b>	<b>(7,834.0)</b>	<b>(7,597.4)</b>	<b>(8,194.0)</b>	<b>(7,769.0)</b>
Dividends paid	(1,332.0)	(1,405.9)	(1,477.7)	(1,553.2)
Share issuance/(repurchase)	—	—	—	—
Inc/(dec) in debt	1,116.0	(1,005.0)	890.0	465.0
Others	(433.9)	48.0	48.0	48.0
<b>Cash flow from financing</b>	<b>(649.9)</b>	<b>(2,362.9)</b>	<b>(539.7)</b>	<b>(1,040.2)</b>
<b>Total cash flow</b>	<b>160.1</b>	<b>(1,203.0)</b>	<b>(100.4)</b>	<b>(0.7)</b>
Free cash flow	1,050.0	1,403.9	683.4	1,283.5
Free cash flow per share (\$)	1.08	1.45	0.70	1.32

Source: Company data, Goldman Sachs Research estimates.

multiple business relative to the merchant segment. Key risks for EXC include power prices, cost management, and utility regulation.

## EXC in charts

**Exhibit 1: We update our 2019/2020 estimates and launch 2021 estimates, seeing risk to consensus in 2020 and 2021...**

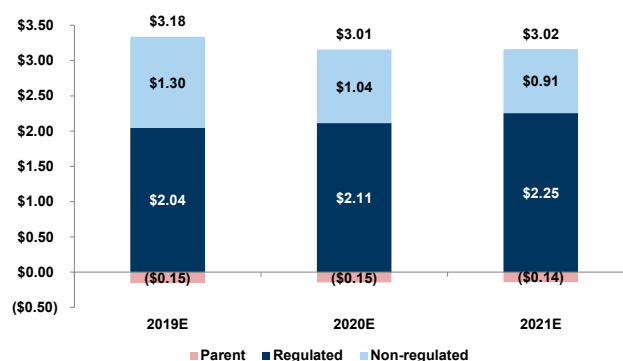
EXC EPS New vs. Old vs. Consensus

	EPS Estimates			% Difference	
	GS- New	GS- Old	Cons.	vs. Old	vs. Cons.
2019E	\$3.18	\$3.21	\$3.16	(1%)	1%
2020E	\$3.01	\$3.26	\$3.19	(7%)	(6%)
2021E	\$3.02	--	\$3.16	--	(4%)

Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 2: ...largely on declining earnings power at ExGen — the merchant power business**

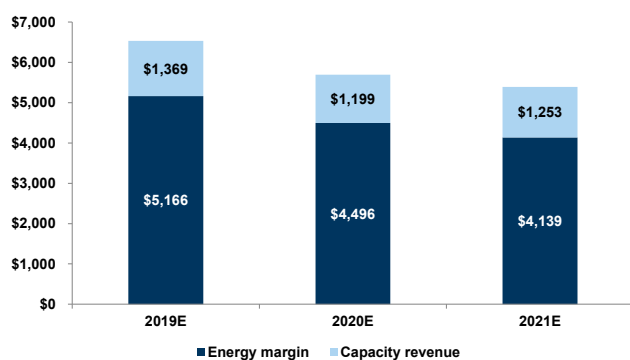
EXC EPS by type



Source: Goldman Sachs Global Investment Research

**Exhibit 3: ...as energy margins decline due to lower power prices...**

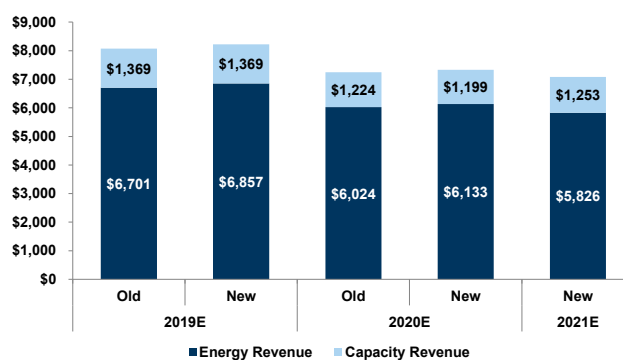
ExGen capacity revenues and energy margin (\$mn)



Source: Goldman Sachs Global Investment Research

**Exhibit 4: ...although revenues increase slightly relative to our previous estimates...**

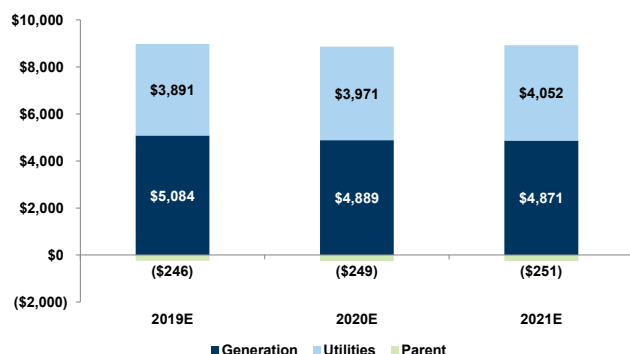
ExGen energy revenue and capacity revenue (\$mn), Old vs. New



Source: Goldman Sachs Global Investment Research

**Exhibit 5: ...and while we still see declining O&M at ExGen, we now assume cost management closer to guidance levels — which increased at 4Q2018 earnings**

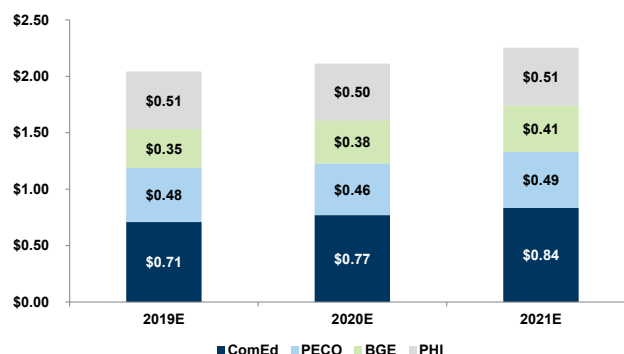
EXC O&amp;M expense by type (\$mn)



Source: Goldman Sachs Global Investment Research

**Exhibit 6: We continue to see strong growth at ComEd — the largest regulated segment — helping drive a 5% EPS CAGR across the regulated subs for 2019-2021...**

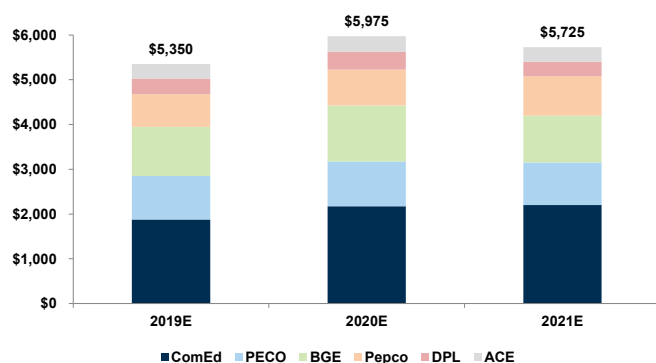
EXC regulated utility EPS



Source: Goldman Sachs Global Investment Research

**Exhibit 7: ...as regulated capital spending remains strong...**

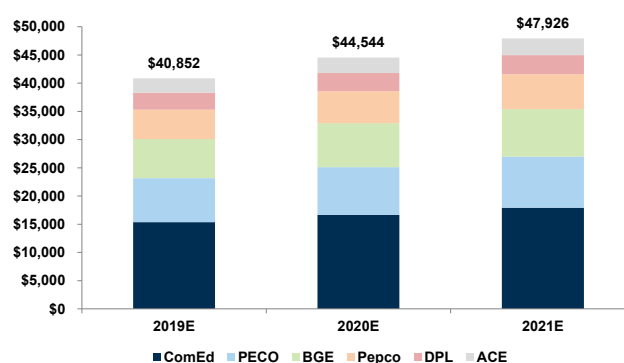
EXC regulated utility capital spending (\$mn)



Source: Goldman Sachs Global Investment Research

**Exhibit 8: ...driving a strong 8.3% rate base CAGR for 2019-2021 at EXC's regulated business**

EXC rate base (\$mn)



Source: Goldman Sachs Global Investment Research

**Exhibit 9: We continue to use ExGen's interest in 2020 open EBITDA, adding back the value of 2020 hedges as an EV adjustment...**

EXC SOTP valuation

<b>EXC</b>	
<b>Regulated Utilities</b>	
Regulated Utilities 2020E EPS	\$2.11
Target P/E multiple	17.0x
<b>Regulated Utility Equity Value per Share</b>	<b>\$36</b>
<b>Exelon Generation</b>	
Exelon Generation's Interest in 2020 Open EBITDA (\$mm)	\$1,899
Target EV/EBITDA multiple	7.00x
<b>Exelon Generation Enterprise Value (\$mm)</b>	<b>\$13,290</b>
Value of of 2020 hedges	477
Exelon Generation Enterprise Value Adjustments & Net Debt	(4,912)
<b>Exelon Generation Equity Value (\$mm)</b>	<b>\$8,855</b>
2020YE Diluted Share Count	972
<b>Exelon Generation Equity Value per Share</b>	<b>\$9</b>
<b>Holding Company</b>	
Exelon Holding Company 2020 EPS	(\$0.15)
Target P/E multiple	17.0x
<b>Exelon Holding Company Equity Value per Share</b>	<b>(\$2)</b>
<b>Total Value per Share</b>	<b>\$43</b>

Source: Goldman Sachs Global Investment Research

**Exhibit 10: ...and our \$43, 12-month price target implies (7%) downside vs. peer median of (1%)**

Diversified Utilities Comparable Analysis													
			Close	12-Mo	Tot Ret	EPS			P/E			Dividend	Dividend
	Ticker	Rating	02/12/19	Px. Tgt	to Target	2018E	2019E	2020E	2018E	2019E	2020E	Yield	CAGR 2017A-20E
Diversified Utilities													
Avangrid, Inc.	AGR	Sell	\$50.49	\$47	(3%)	\$2.27	\$2.37	\$2.75	22.2x	21.3x	18.4x	3.4%	5.5%
CenterPoint Energy	CNP	NR	\$30.84	--	--	\$1.63	\$1.71	\$1.80	18.9x	18.0x	17.1x	3.5%	6.0%
Dominion Energy	D	Neutral	\$73.20	\$69	(1%)	\$4.05	\$4.20	\$4.41	18.1x	17.4x	16.6x	4.6%	8.5%
DTE Energy	DTE	Buy	\$119.49	\$121	4%	\$6.31	\$6.24	\$6.62	18.9x	19.1x	18.0x	3.2%	7.1%
Entergy	ETR	Buy	\$90.86	\$96	10%	\$7.13	\$6.21	\$6.00	12.7x	14.6x	15.1x	3.9%	4.0%
Exelon	EXC	Sell	\$47.92	\$43	(7%)	\$3.12	\$3.18	\$3.01	15.4x	15.1x	15.9x	3.0%	5.0%
NextEra Energy	NEE	Buy *	\$183.27	\$193	8%	\$7.70	\$8.48	\$9.14	23.8x	21.6x	20.1x	2.4%	13.0%
OGE Energy Corp	OGE	Neutral	\$41.47	\$40	(0%)	\$2.07	\$2.23	\$2.31	20.0x	18.6x	18.0x	3.2%	8.5%
Public Service Enterprise Group	PEG	Neutral	\$56.00	\$53	(2%)	\$3.08	\$3.25	\$3.38	18.2x	17.3x	16.6x	3.2%	5.0%
Sempra Energy	SRE	Buy *	\$114.12	\$132	19%	\$5.60	\$6.27	\$7.80	20.4x	18.2x	14.6x	3.1%	9.0%
Diversified Utilities Mean					3%				18.9x	18.0x	16.9x	3.4%	7.2%
Diversified Utilities Median					-1%				18.9x	18.0x	16.6x	3.2%	6.0%

\*Denotes on Americas Conviction List

Source: Goldman Sachs Global Investment Research, FactSet

## Disclosure Appendix

### Reg AC

We, Michael Lapides, Insoo Kim, CFA, David Fishman, CFA, Jack Pearl, Sarah Davis and Chitra Narayan Mahale, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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**Growth** is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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### Disclosures

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Michael Lapides: America-Diversified Pipelines, America-Diversified Utilities, America-Energy MLPs, America-Independent Power Producers, America-Regulated Utilities. Insoo Kim, CFA: America-Diversified Utilities, America-Regulated Utilities. David Fishman, CFA: America-Diversified Utilities.

America-Diversified Pipelines: Antero Midstream GP LP, Kinder Morgan Inc., ONEOK Inc., SemGroup Corp., Tallgrass Energy LP, TransCanada Corp., TransCanada Corp., Williams Cos..

America-Diversified Utilities: Avangrid Inc., Centerpoint Energy Inc., CMS Energy Corp., Dominion Energy Inc., DTE Energy Co., Entergy Corp., Exelon Corp., FirstEnergy Corp., NextEra Energy Inc., OGE Energy Corp., Public Service Enterprise Group, Sempra Energy.

America-Energy MLPs: Antero Midstream Partners, BP Midstream Partners, Buckeye Partners, Cheniere Energy Inc., Cheniere Energy Partners, Crestwood Equity Partners, DCP Midstream LP, Energy Transfer LP, Enterprise Products Partners LP, EQT Midstream Partners, Hess Midstream Partners LP, Holly Energy Partners, Magellan Midstream Partners, MPLX LP, Oasis Midstream Partners, Phillips 66 Partners, Plains All American Pipeline LP, Plains GP Holdings, Summit Midstream Partners, Sunoco LP, Targa Resources Corp., TC PipeLines LP, Western Gas Equity Partners, Western Gas Partners.

America-Independent Power Producers: Clearway Energy Inc., NextEra Energy Partners, NRG Energy Inc..

America-Regulated Utilities: Ameren Corp., American Electric Power, American Water Works, Consolidated Edison Inc., Duke Energy Corp., Edison International, Evergy Inc., Eversource Energy, NiSource Inc., PG&E Corp., Pinnacle West Capital Corp., Portland General Electric Co., PPL Corp., Southern Co., WEC Energy Group.

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Goldman Sachs expects to receive or intends to seek compensation for investment banking services in the next 3 months: Exelon Corp. (\$47.92)

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Exelon Corp. (EXC)

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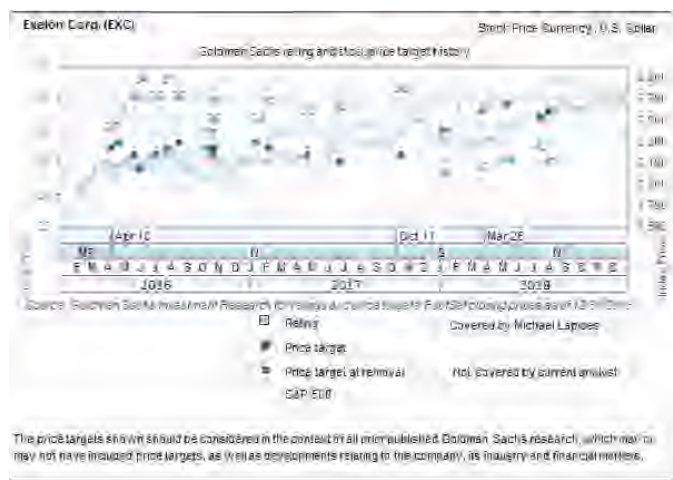
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Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	35%	54%	11%	65%	58%	56%

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

February 13, 2019

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## The Guggenheim Daily Transmission: CWEN, WEC, SRE, POR, NEE, PCG, California, NJR, SO, EXC, ES

**For Guggenheim's NDR schedule, please scroll down****What's New?****CWEN: Downgrading to Sell on Elevated Risk of a Dividend Cut (see our note [HERE](#))****WEC – Consistent as Ever - 4Q18 Beats, Major Items for 2019 Well-Mapped (see our note [HERE](#))****SRE – SRE Renewables wind asset sale to AEP announced****POR/NEE – PGE/NEER bid wins renewables RFP to develop wind/solar/storage project****PCG – CA governor convenes strike force on PCG bankruptcy to issue plan within 60 days****PCG/California – Opening comments filed in the wildfire cost cap proceeding****NJR/SO – CEO Larry Downes elevated to Economic Development Authority Chair amid reported concerns over conflict of interest from PennEast opponents****EXC – Joint Resolution in Maryland House seeks to have ExGen pay “at least” 25% of Conowingo Dam cleanup costs****ES – Announces Battery Storage project on Martha's Vineyard**

Ticker	Price	Rating
CWEN	14.68	Sell
ED	78.57	Neutral
EIX	60.07	Buy
ES	70.28	Buy
EXC	47.92	Buy
NEE	183.27	Buy
NJR	45.62	Sell
PCG	15.43	Neutral
POR	48.99	Neutral
SO	49.37	Neutral
SRE	114.12	Buy
WEC	75.04	Buy

**AEP/SRE – SRE Renewables wind asset sale to AEP announced**

- SRE has been in the process of selling renewable assets since the June 2018 Analyst Day as a part of the phased restructuring of the business units. The wind asset sale follows a solar asset sale to ED that closed in 4Q18.
- The wind asset sale includes 724MW of operating assets and a development pipeline of ~1GW, for an aggregate \$551M in cash. The Operating assets include co-owned assets with BP Wind Energy.
- The asset sale will contribute in aggregate with cash raised through the solar renewable and US midstream asset sales to ~\$2.5B for capital reallocation as a part of Phase I of the business transformation.
- The deal cements AEP's 5-7% guide and is consistent with mgmt's stated interest in commercial renewables.
- AEP originally had a capex budget of \$2.2bn for competitive renewables and after this transaction, AEP will have ~\$700mm of capex remaining for competitive renewables.
- AEP is already familiar with the assets and is a counter party to some of them. Good geographic diversity with no CA projects acquired.
- AEP paid \$1,459/kW for 7 wind projects, many of which are a JV with BP, \$1.056bn enterprise value for 724 MW.

**Guggenheim takeaway:** This asset sale will close out Phase I divestitures and enable capital rotation for SRE, part of which will be going toward the pending purchase of InfraREIT (HIFR), with the remainder being used for US utility capital needs and de-levering at the HoldCo level. The earnings dilution from this asset sale, as well as the other phase I sales,

*will be offset by the pending acquisitions and delevering and, in our view, SRE will likely stay consistent with prior guidance. For AEP, we believe this is consistent with its plan, the assets are geographically diverse, good tenure remaining and price paid is inline with transaction multiples.*

#### **POR/NEE – PGE/NEER bid wins renewables RFP to develop wind/solar/storage project**

- Portland General Electric and NextEra Energy Resources have been announced as the winning bidders of the OPUC-directed RFP released last spring with a project combining 300MW of wind, 50MW of solar, and 30MW of battery storage.
- POR will own the wind facilities, which are expected to be online by December 2020, while NEER will supply the remaining resources via PPA.
- POR's share of the investment will be \$160mm.
- Original docket available [HERE](#), press release [HERE](#).

***Guggenheim takeaway:** Very much in line with our expectations following our NDR with management in late November (see our note [HERE](#)), and our modeled capex of ~\$150mm associated with the project. As a reminder, we view this as only a part of a broader renewables push at POR going forward. While the utility remains on track to meet its 2025 RPS goals, it remains short of the 50% by 2040 target. Additional impetus may come courtesy of the legislature, which is currently considering cap-and-trade legislation.*

#### **PCG – CA governor convenes strike force on PCG bankruptcy to issue plan within 60 days**

- CA Governor Newsom, speaking before the joint legislature session, [announced](#) intentions to address the PCG bankruptcy through a special task force, with a plan to be publicly released in 60 days.
- In his remarks, Newsom also addressed the bigger issue of wildfire liabilities for all California utilities, but no additional plans are in the works (outside of the wildfire committee appointed earlier, with a report due in June 2019).

***Guggenheim takeaway:** There is some constructive language in Newsom's statements but it seems there is little to be done for PCG as it is already in bankruptcy proceedings. The silver lining is a read through to the other CA utilities, SRE/EIX, in terms of restoring a regulatory construct that is long-term sustainable, which is on Newsom's agenda.*

#### **PCG/California – Opening comments filed in the wildfire cost cap proceeding**

- The CPUC rulemaking proceeding for determining the "cost cap," or customer harm threshold, has received a round of opening comments from intervenors.
- The comments range from deferring / rejecting the cost cap (from some community/local intervenors) to more thoughtful comments suggesting use of a hybrid methodology for debt capacity and dividend payment as thresholds of a "healthy" utility.
- Docket filings here: [R1901006](#)

***Guggenheim takeaway:** The opening comments are just the beginning of what could be a highly contested proceeding. We note however, SDG&E's request is accompanied by a request to use substantial compliance with the wildfire mitigation plans (WMP) as a benchmark for prudence reviews. SRE (SDG&E parent) has been active in wildfire mitigation and weather monitoring for almost a decade, placing it ahead of its peers in WMP implementation.*

#### **NJR/SO – CEO Larry Downes elevated to Economic Development Authority Chair amid reported concerns over conflict of interest from PennEast opponents**

- The [selection](#) of Larry Downes, who was named Chair of the NJ Economic Development Authority (EDA) last week, has [reportedly](#) led to some NJ residents asking the Attorney General to investigate conflict of interests between his roles.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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- Downes has served on the board of the EDA since 2010.
- The criticism comes after an extensive report by the Public Accountability Initiative (PAI) into the PennEast Pipeline's lobbying efforts – see [HERE](#).

**Guggenheim takeaway:** For your awareness, and likely just noise from pipeline opponents in our view. While the PAI report is very detailed, we have not seen any indication that negative sentiment has spread beyond diehard PennEast opponents at this time. We continue to monitor.

#### EXC – Joint Resolution in Maryland House seeks to have ExGen pay “at least” 25% of Conowingo Dam cleanup costs

- Lawmakers are [seeking to have](#) ExGen pay a portion of the [sediment](#) (200mm tons) cleanup costs associated with the 91 year old Conowingo Dam on the Susquehanna.
- “Stating the view of the General Assembly that Exelon Generation Company, LLC, owner of the Conowingo Dam, must pay a portion of the cleanup costs associated with the dam's federal certification and at least 25% of the costs associated with the Susquehanna River's Watershed Implementation Plan.”
- Legislation available [HERE](#).

**Guggenheim takeaway:** We don't see many easy answers to the long-running Conowingo debate. We put some stock in EXC's argument that is not itself responsible for the upstream sediment pollution from MD/PA/NY, but Maryland politicians have been vociferous in their desire to have the company shoulder some of the costs. An EPA-led effort to finalize a mitigation plan remains ongoing with more concrete details forthcoming in the spring. Meanwhile several lawsuits remain ongoing between the state and EXC.

#### ES – Announces Battery Storage project on Martha's Vineyard

- ES announced it's proposing a battery storage project on Martha's Vineyard, which will reduce GHG's created by the island's five diesel-fired generators.
- The batteries will be “hidden inside a Cape-style building that will reflect the character of the island.”
- The project will be a 14.7MW lithium ion battery system.
- It is one of two battery storage projects in Eastern MA approved by the Department of Public Utilities.

**Guggenheim takeaway:** Data point, for your awareness. We see a general theme that more and more regulated names are getting commission approvals for battery systems. Positive for future rate base opportunities but still in the infancy stage.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Tuesday, February 12, 2019

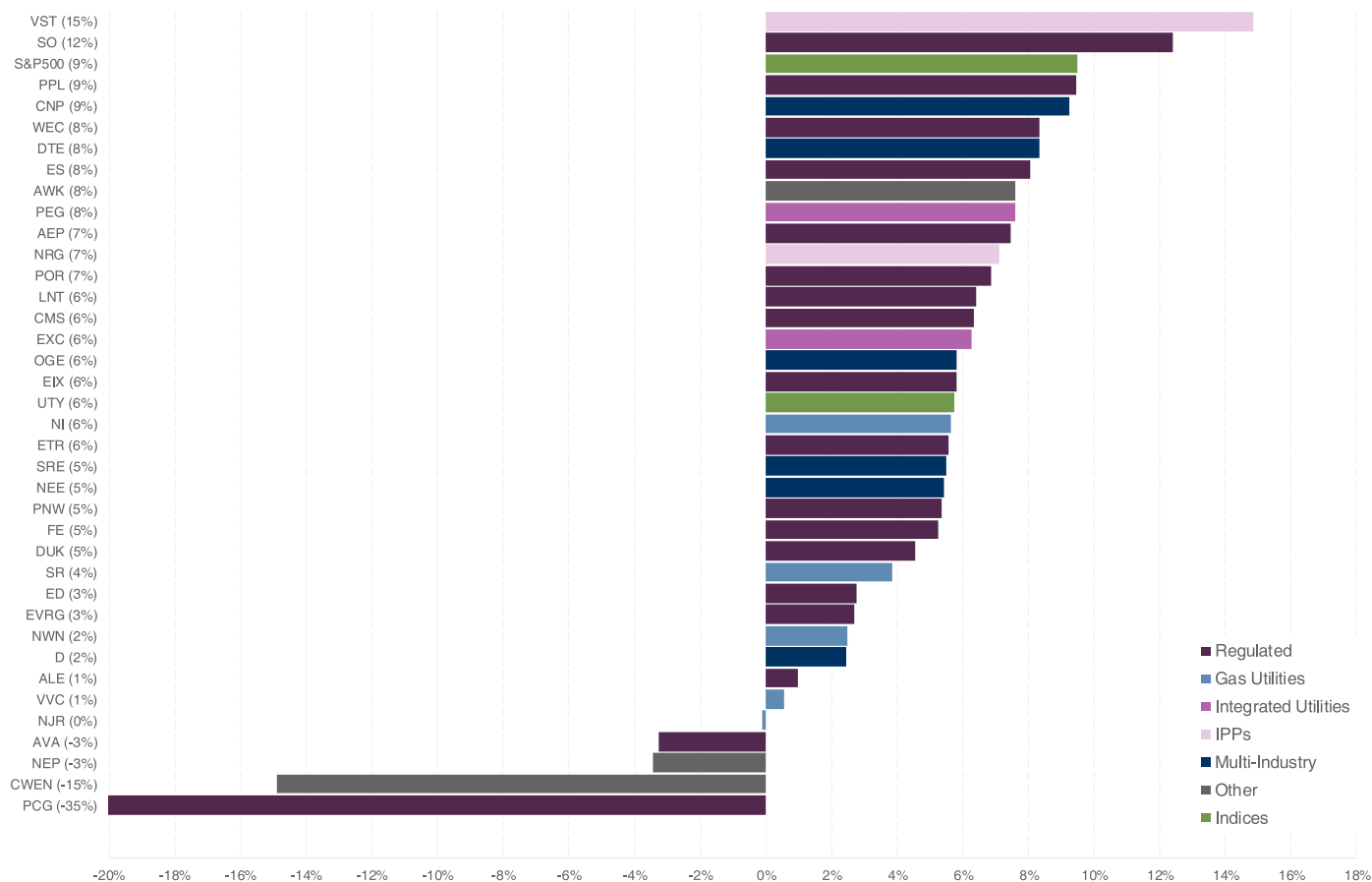
Price as of Close									Guggenheim										Consensus									
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	39.6	Neutral	\$78	\$80.30	3.4%	62%	493	3.95	4.17	4.44	4.71	4.93	20.3	19.2	18.1	17.0	16.3	3.95	4.12	4.39	4.65	5.00	20.3	19.5	18.3	17.3	16.0
ALE	ALLETE	4.0	Neutral	\$74	\$76.96	3.3%	64%	51	3.34	3.71	4.01	4.20	4.46	23.0	20.7	19.2	18.3	17.2	3.35	3.60	3.92	4.07	4.46	23.0	21.4	19.6	18.9	17.3
AVA	Avista*	2.7	Neutral	\$42	\$41.09	4.0%	71%	66	2.05	2.19	2.31	2.38	2.45	20.1	18.8	17.8	17.3	16.8	2.07	2.02	2.83	2.38	2.45	19.9	20.3	14.5	17.3	16.8
CMS	CMS Energy	15.0	Neutral	\$53	\$52.79	3.1%	61%	283	2.33	2.50	2.69	2.88	3.08	22.7	21.1	19.6	18.3	17.1	2.33	2.50	2.68	2.87	3.07	22.7	21.1	19.7	18.4	17.2
DUK	Duke Energy	64.3	Buy	\$94	\$90.23	4.4%	75%	713	4.78	5.00	5.26	5.57	5.91	18.9	18.0	17.2	16.2	15.3	4.75	4.95	5.23	5.54	5.86	19.0	18.2	17.2	16.3	15.4
ED	Consolidated Edison	24.5	Neutral	\$82	\$78.57	3.9%	66%	311	4.25	4.36	4.61	4.79	4.95	18.5	18.0	17.0	16.4	15.9	4.29	4.28	4.53	4.74	4.91	18.3	18.4	17.4	16.6	16.0
EIX	Edison International*	19.6	Buy	\$69	\$60.07	4.5%	55%	326	4.15	4.57	4.93	5.37	5.70	14.5	13.1	12.2	11.2	10.5	4.17	4.50	4.78	5.00	5.30	14.4	13.3	12.6	12.0	11.33
ES	Eversource Energy	22.3	Buy	\$72	\$70.28	3.2%	61%	317	3.27	3.51	3.71	3.94	4.17	21.5	20.0	18.9	17.8	16.9	3.28	3.48	3.70	3.91	4.17	21.4	20.2	19.0	18.0	16.86
ETR	Entergy	16.5	Buy	\$96	\$90.86	4.2%	67%	181	7.02	5.94	5.66	5.92	6.33	12.9	15.3	16.1	15.3	14.4	7.01	5.82	5.73	5.90	5.98	13.0	15.6	15.9	15.4	15.2
EVRG	Energy	15.4	Buy	\$63	\$58.30	3.6%	64%	263	2.63	2.93	3.27	3.42	3.58	22.2	19.9	17.8	17.0	16.3	2.60	2.95	3.29	3.42	3.58	22.4	19.7	17.7	17.0	16.3
FE	FirstEnergy	20.2	Buy	\$46	\$39.52	4.0%	63%	511	2.56	2.54	2.51	2.65	2.80	15.4	15.6	15.7	14.9	14.1	2.54	2.57	2.52	2.64	2.78	15.6	15.4	15.7	15.0	14.2
LNT	Alliant Energy	10.6	Neutral	\$41	\$44.95	3.3%	63%	236	2.18	2.24	2.37	2.50	2.69	20.6	20.1	19.0	18.0	16.7	2.16	2.26	2.40	2.54	2.69	20.8	19.9	18.8	17.7	16.7
PCG	PG&E Corporation*	8.0	Neutral	NA	\$15.43	0.0%	0%	519	3.84	4.07	4.39	4.57	4.67	4.0	3.8	3.5	3.4	3.3	3.82	4.03	4.23	4.29	4.21	4.0	3.8	3.7	3.6	3.7
PNW	Pinnacle West	10.1	Neutral	\$89	\$89.77	3.5%	63%	112	4.49	4.84	5.04	5.25	5.45	20.0	18.5	17.8	17.1	16.5	4.48	4.85	5.03	5.27	5.42	20.0	18.5	17.8	17.0	16.6
POR	Portland General Electric	4.4	Neutral	\$44	\$48.99	3.3%	63%	89	2.32	2.43	2.54	2.68	2.75	21.1	20.2	19.3	18.3	17.8	2.35	2.45	2.56	2.69	2.75	20.9	20.0	19.1	18.2	17.81
PPL	PPL Corporation	22.3	Neutral	\$29	\$31.01	5.9%	70%	720	2.36	2.44	2.61	2.74	2.85	13.1	12.7	11.9	11.3	10.9	2.36	2.44	2.55	2.59	2.84	13.1	12.7	12.2	12.0	10.94
SO	Southern Company	50.8	Neutral	\$44	\$49.37	5.1%	81%	1029	3.07	3.05	3.15	3.31	3.46	16.1	16.2	15.7	14.9	14.3	3.04	3.02	3.13	3.25	3.45	16.2	16.4	15.8	15.2	14.33
WEC	WEC Energy	23.7	Buy	\$76	\$75.04	3.3%	67%	316	3.34	3.50	3.73	3.98	4.26	22.5	21.4	20.1	18.9	17.6	3.34	3.51	3.74	3.97	4.24	22.5	21.4	20.0	18.9	17.68
*Average (Excl. EIX, PCG, PPL for P/E)						3.7%	62%							19.7	18.9	18.0	17.1	16.2						19.7	19.1	17.8	17.1	16.3
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	10.0	Buy	\$29	\$26.78	3.0%	58%	372	1.28	1.38	1.48	1.58	1.68	20.9	19.4	18.1	16.9	15.9	1.28	1.33	1.43	1.51	1.58	21.0	20.1	18.7	17.7	16.9
NJR	New Jersey Resources	4.0	Sell	\$39	\$45.62	2.6%	60%	89	2.74	1.99	2.19	2.36	2.54	16.6	22.9	20.8	19.3	18.0	2.74	2.10	2.25	2.32	2.54	16.6	21.7	20.2	19.6	18.0
NWN	NW Natural Gas	1.8	Sell	\$49	\$61.95	3.1%	77%	29	2.17	2.44	2.60	2.66	2.71	28.5	25.4	23.8	23.3	22.9	2.22	2.46	2.58	2.64	2.71	27.9	25.2	24.0	23.5	22.9
SR	Spire	3.9	Neutral	\$77	\$76.94	3.1%	65%	51	3.74	3.74	3.89	4.01	4.28	20.6	20.6	19.8	19.2	18.0	3.72	3.73	3.87	3.98	4.30	20.7	20.6	19.9	19.3	17.9
Average						3.1%	66%							21.7	22.1	20.6	19.7	18.7						21.5	21.9	20.7	20.0	18.9
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	46.5	Buy	\$53	\$47.92	3.0%	45%	970	3.12	3.16	3.25	3.17	3.21	15.4	15.2	14.7	15.1	14.9	3.12	3.16	3.19	3.16	3.36	15.4	15.1	15.0	15.1	14.3
PEG	PSEG	28.3	Buy	\$59	\$56.00	3.4%	58%	505	3.13	3.28	3.49	3.60	3.83	17.9	17.1	16.0	15.6	14.6	3.10	3.24	3.55	3.67	3.88	18.0	17.3	15.8	15.3	14.4
Average						3.2%	51%							16.6	16.1	15.4	15.3	14.8						16.7	16.2	15.4	15.2	14.3
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	12.3	Buy	\$51	\$42.41	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	NA	NA	NA	NA	NA	1,775	2,008	1,835	1,840	1,936	10.0	8.7	9.2	9.5	NA
VST	Vistra Energy	13.3	Buy	\$37	\$26.29	1.9%	0%	504	2,800	3,307	3,355	3,402	3,402	8.5	7.3	7.1	6.9	6.6	2,760	3,378	3,350	3,273	3,654	8.4	6.8	6.6	6.1	NA
Average														8.5	7.3	7.1	6.9	6.6						9.2	7.7	7.9	7.8	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.5	Buy	\$33	\$30.84	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.5	17.9	16.9	16.1	15.3	1.58	1.69	1.82	1.94	2.02	19.5	18.2	17.0	15.9	15.3
D	Dominion	59.2	Buy	\$82	\$73.20	5.0%	87%	808	4.04	4.24	4.44	4.68	4.92	18.1	17.3	16.5	15.6	14.9	4.05	4.22	4.42	4.67	4.94	18.1	17.3	16.5	15.7	14.8
DTE	DTE Energy	21.7	Buy	\$129	\$119.49	3.2%	60%	182	6.30	6.26	6.72	7.21	7.63	19.0	19.1	17.8	16.6	15.7	6.30	6.23	6.58	7.03	7.52	19.0	19.2	18.1	17.0	15.9
NEE	NexEra	87.6	Buy	\$205	\$183.27	2.7%	58%	478	7.83	8.63	9.19	9.91	10.52	23.4	21.2	19.9	18.5	17.4	7.70	8.40	9.07	9.75	10.49	23.8	21.8	20.2	18.8	17.5
OGE	OGE Energy	8.3	Neutral	\$41	\$41.47	3.6%	70%	200	2.06	2.14	2.30	2.41	2.51	20.1	19.4	18.0	17.2	16.5	2.07	2.14	2.31	2.41	2.51	20.0	19.4	18.0	17.2	16.5
SRE	Sempra Energy	31.2	Buy	\$133	\$114.12	3.4%	64%	274	5.47	6.13	7.29	7.60	7.96	20.9	18.6	15.7	15.0	14.3	5.47	6.04	7.19	7.55	7.88	20.9	18.9	15.9	15.1	14.5
Average						3.6%	68%							20.2	18.9	17.5	16.5	15.7						20.2	19.1	17.6	16.6	15.7
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	17.6	Neutral	\$96	\$97.67	2.0%	54%	181	3.30	3.61	3.96	4.27	4.60	29.6	27.1	24.6	22.9	0.0	3.30	3.58	3.88	4.24	4.59	29.6	27.3	25.2	23.0	21.3
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.2	Neutral	\$17	\$14.68	9.0%	NA	183	1,039	1,069	1,116	1,159	1,159	8.7	8.6	8.6	8.2	8.6	995	1,059	1,134	1,155	NA	8.4	8.3	8.0	7.6	-
NEP	NexEra Energy Partners	2.3	Buy	\$56	\$41.57	4.9%	NA	56	1,106	1,393	1,560	1,811	1,811	8.9	7.7	7.4	7.1	0.0	881	1,125	1,286	1,496	1,961	11.21				

POWER, UTILITIES & ALTERNATIVE ENERGY

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	VST	5/8-5/9	West Coast
FE	1/22-1/23	Boston/NYC	SRE	5/13-5/15	West Coast
D	2/25-2/26	Boston/NYC	LNT	6/4	Boston
WEC	2/27-2/28	West Coast	DUK	6/6-6/7	Midwest
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/26	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/26	NYC	ETR	9/12-9/13	TBD
ALE	4/2-4/4	TBD	CMS	11/21-11/22	Texas
DTE	4/5	Boston			
POR	4/29-4/30	West Coast			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	PCG	Gas Rate Case	PG&E	CA	A.17-11-009	Scheduled proceeding done, waiting PD
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
TBD	ED	Gas Rate Case	CECONY	NY	19-G-0066	Rate case filed 1/31/19, awaiting scoping memo
TBD	ED	Electric Rate Case	CECONY	NY	19-E-0065	Rate case filed 1/31/19, awaiting scoping memo
TBD	PCG	Electric Rate Case	PG&E	CA	A.18-12-009	Awaiting scoping memo
02/13	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Initial briefs due
02/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Workshop
02/13	PCG	Bankruptcy	PG&E	Federal	19-03003	Hearing: Adversary Proceeding (FERC). 19-03003
02/18	CMS	IRP	Consumers Energy Co.	MI	U-20165	PFD Target Date
02/19	SO	VCM	Georgia Power	GA	VCM19	PSC votes to approve VCM19 spend
02/19	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Rebuttal Testimony
02/20	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Motions for Hearings
02/20	PCG	Wildfire Cost Cap	PG&E	CA	R.19-01-006	Prehearing conference
02/21	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Decision expected
02/22	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Motions to Strike
02/25	PCG	Wildfire Cost Cap	PG&E	CA	R.19-01-006	Reply comments filed and served
02/25	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Responses to motions for hearings
Week of Feb. 25,	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Focused Issue workshop
02/26	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Company rebuttal testimony due
02/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Responses to Motions
02/26	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Pre-hearing conference
02/27	PCG	Bankruptcy	PG&E	Federal	19-03003	Hearing: Preliminary Injunction Motion (FERC). 19-03003
02/28	SO	VCM	Georgia Power	GA	VCM19	Filing of VCM20 report
02/28	D	Limited issue rider	Virginia Electric Power Co	VA	C-PUR-2018-00083 (Rider B)	Decision expected in rider B
02/28	EIX	FERC Formula Rates	SDG&E	FERC	ER18-169-000 and EL18-44 (the "Formula Rate)	Settlement Conferences
03/01	PCG	Wildfire Cost Cap	PG&E	CA	R.19-01-006	Scoping memo
03/01	CMS	IRP	Consumers Energy Co.	MI	U-20165	Exceptions
03/04	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Hearing to begin
03/04	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor testimony served
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [CA Policy Speaker Series Recap II: Michael Gatto, Former CA Legislator on Legislative, Regulatory and Bankruptcy Process in California](#)
5. [CA Policy Speaker Series Recap I: Timothy Simon, Former CPUC Commissioner on CA Legislature, CPUC and Potential PCG Bankruptcy Process](#)
6. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
7. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
8. [Guggenheim's 2018 EEI Summary](#)
9. [Guggenheim EEI Takeaways - Day 3](#)
10. [Guggenheim EEI Takeaways - Day 2](#)
11. [Guggenheim EEI Takeaways - Day 1](#)
12. [Guggenheim EEI - Investor Question Bank](#)
13. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
14. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
15. [Coal/Nuclear: Will Politics "Trump" Reality](#)
16. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
17. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
18. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
19. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
20. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
21. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
22. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
23. [Guggenheim EEI Takeaways - Day 1](#)
24. [Guggenheim EEI Takeaways - Day 2](#)
25. [Guggenheim EEI Takeaways - Day 3](#)
26. [Utility and IPP 3Q17 Model Sweep](#)
27. [DOE Texas Tango – Will FERC Dance?](#)
28. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
29. [AGA Conference Highlights and Management Meeting Takeaways](#)
30. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [PCG Exonerated for Tubbs Fire; Reinforces Premature Bankruptcy View](#)
3. [PCG—Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
4. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
5. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
6. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
7. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
8. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
9. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
10. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
14. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
15. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
16. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
17. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
18. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
19. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
20. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
21. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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22. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
23. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
24. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
25. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
26. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
27. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
28. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
29. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
30. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
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## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 13, 2019

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## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Generation Cost Efficiency Helps Offset Weak Forward Prices

Updated Forecasts and Estimates from 12 Feb 2019

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Research as of 12 Feb 2019  
Estimates as of 12 Feb 2019  
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Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.

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### Business Strategy and Outlook 12 Feb 2019

As the largest nuclear power plant owner in the United States, Exelon has suffered as low natural gas prices have slashed power prices since 2008. We think cheap gas will remain an advantage for competing generators and pressure nuclear plant returns for the foreseeable future. But Exelon has shown its political clout recently, winning subsidies in Illinois, New York, and New Jersey to keep its nuclear fleet economic.

Exelon's growth engine is its regulated gas and electric distribution utilities. With the \$12 billion acquisition of Pepco Holdings in March 2016, we expect Exelon's regulated electric and gas distribution utilities to drive all of our earnings growth through 2022. By then, the regulated utilities' earnings should easily top Exelon's generation earnings, based on current energy market conditions.

The regulatory outlook for Exelon's utilities is improving, supporting its growth plans. In Delaware, legislators approved a distribution customer charge that will allow for more timely recovery and support further infrastructure development. In Pennsylvania, legislation allows state regulators to incorporate more-constructive rate mechanisms such as decoupling, formula rates, and multiyear rate plans and rate cases.

At its nuclear unit, Exelon can't escape its leverage to Eastern and Midwestern U.S. power prices, which contribute about half of total earnings. Nuclear's low fuel costs and clean emission profile make Exelon the utilities sector's biggest winner if power prices rise, capacity markets tighten, and environmental regulations make fossil-fuel power generation more costly. Management continues to drive costs out of the business. Exelon forecasts \$4.2 billion in costs at the unit in 2022, down from \$4.8 billion in 2018.

Exelon continues to get courts' support for zero-emissions credits, or ZECs, programs that support nuclear fleet economics. In Illinois and New York, both the Seventh and Second Circuit Court of Appeals recently upheld the legality of ZECs supporting Exelon's nuclear fleet in New York and Illinois. In New Jersey, ZEC legislation goes into effect the first quarter of 2019.

### Vital Statistics

Market Cap (USD Mil)	46,470
52-Week High (USD)	48.16
52-Week Low (USD)	36.22
52-Week Total Return %	32.6
YTD Total Return %	6.3
Last Fiscal Year End	31 Dec 2018
5-Yr Forward Revenue CAGR %	1.3
5-Yr Forward EPS CAGR %	8.5
Price/Fair Value	1.20

### Valuation Summary and Forecasts

Fiscal Year:	2017	2018	2019(E)	2020(E)
Price/Earnings	14.7	16.8	15.5	16.9
EV/EBITDA	8.3	8.8	9.2	9.4
EV/EBIT	15.7	18.6	18.5	19.8
Free Cash Flow Yield %	-0.3	2.8	4.3	1.4
Dividend Yield %	3.3	3.1	2.9	3.0

### Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2017	2018	2019(E)	2020(E)
Revenue	33,531	35,985	32,850	33,735
Revenue YoY %	6.9	7.3	-8.7	2.7
EBIT	4,260	3,898	4,402	4,112
EBIT YoY %	36.9	-8.5	12.9	-6.6
Net Income, Adjusted	2,543	2,597	3,006	2,749
Net Income YoY %	2.4	2.1	15.8	-8.5
Diluted EPS	2.68	2.68	3.10	2.83
Diluted EPS YoY %	—	—	15.6	-8.7
Free Cash Flow	38	2,338	2,268	1,152
Free Cash Flow YoY %	-100.6	NM	-3.0	-49.2

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

### Profile

Exelon serves more customers than any other U.S. utility, with 10 million power and gas customers at its six regulated utilities in Illinois, Pennsylvania, Maryland, New Jersey, Delaware, and Washington, D.C. Exelon owns 14 nuclear plants and 32 gigawatts of generation capacity throughout North America.



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## Exelon Corp EXC (NYSE) ★★

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### Morningstar Analysis

#### Fair Value & Profit Drivers 12 Feb 2019

We are increasing our fair value estimate to \$43 per share from \$40 after Exelon reported fourth-quarter earnings that were in line with our expectations. The increase is due to rolling our five-year forecasts to incorporate more rate-based growth and lower generation operating expenses. Time-value appreciation also boosted our fair value.

We expect earnings growth at the regulated utilities to drive 6% consolidated annual earnings growth through 2022 on a normalized tax rate basis.

Our forecasts show Exelon's regulated utilities contributing about 60% of consolidated earnings. We assume the regulated utilities earn 10% returns on equity and grow their rate bases nearly 8% annually on average in 2019-22.

On a midcycle basis, we assume a \$3 per million Btu midcycle Henry Hub gas price and modest market heat rate improvement above current 2020 forwards in all regions.

At the retail business, we assume 20% long-term normalized gross margins and volume that grows to 267 terawatt-hours by 2022.

We assume a 9% cost of equity and a 7.0% cost of capital. Our cost of equity assumption is in line with the 9% rate of return that we expect investors to demand of a diversified equity portfolio. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

#### Scenario Analysis

We assign a medium uncertainty rating. Exelon's higher-than-average degree of operating leverage and exposure to volatile power markets lead to a wider range of outcomes in our base, high, and low scenarios than a typical utility.

In our bull case, a \$10 per megawatt-hour average increase

in our midcycle power price assumptions with no change in retail margins results in a 20% increase in our open midcycle EPS estimate and over a \$1 billion change in EBITDA. In this case, our fair value estimate would rise by \$9 per share.

In our bear case, we assume power prices fall by a similar amount, resulting in a \$9 per share cut in our base-case fair value estimate. Our fair value estimate would fall an additional \$1 per share if we reduce our assumption for the operating efficiency and utilization of Exelon's nuclear power plants by 4 percentage points to near the industry average.

On a mark-to-market basis, there would be no change to our fair value estimate or midcycle earnings estimates.

At the retail segment, every 100 basis points of long-term normalized margin expansion generates \$100 million of pretax margin and \$1 per share of value.

#### Economic Moat

Considering Exelon's full suite of businesses, we think the firm has a narrow economic moat.

Most nuclear generation still has moaty characteristics, with returns on capital above costs of capital for the foreseeable future. However, the spread between long-term returns on capital and Exelon's cost of capital has shrunk, based on our midcycle outlook for power prices in the Eastern U.S. Exelon's increasing diversification into narrow- and no-moat businesses, together with the shrinking returns at its nuclear generation business, supports our narrow moat rating.

Nuclear generation's moaty economics are based on two primary competitive advantages. First, nuclear plants take more than seven years to site and build, cost several billion dollars, and typically face community opposition. These are significant barriers to entry, giving operators an effective

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low-cost monopoly in a given region. Exelon's large fleet gives it scale advantages that allow it to add capacity at its plants at a fraction of the cost and risk of a greenfield project. It is unlikely a competitor would be able to earn sufficient returns on capital by building a nuclear plant in close proximity to any of Exelon's plants.

Second, no other reliable power generation source can match the cost or scale of a nuclear plant. Nuclear plants' low variable costs and low greenhouse gas emissions relative to competing fossil fuel power generation sources, such as coal and natural gas, reduce substitution threats. Renewable energy, with effectively no marginal costs, has depressed wholesale power prices and hurt Exelon's returns on capital in some of its regions. We believe this is a market distortion that fails to recognize the value of Exelon's nuclear fleet reliability relative to intermittent renewable energy. State policy and legislation particularly in Illinois and New York have recognized some of that zero-emissions power from nuclear plants.

As long as electricity remains a critical energy source in the U.S. and nuclear investment requirements remain near

current levels, we expect nuclear plants will maintain a low-cost advantage and generate supportive returns on capital. To monetize this competitive advantage, Exelon must retain access to wholesale power markets. Any reregulation of its generation fleet would shrink its moat. In addition, nuclear generation must maintain regulatory and political support in the U.S. and states where Exelon operates. If that support erodes, it could affect the economics of routine maintenance investments and lead to plant shutdowns, as we've seen elsewhere in the U.S. and overseas.

We believe Exelon's regulated distribution utilities have narrow economic moats. Regulatory caps on profits offsets the service territory monopolies and network efficient scale advantages. Utility regulation in the U.S. aims to fix customer rates at levels that ensure capital providers earn fair returns on their investments while keeping customer costs as low as possible. We believe this regulatory compact ensures Exelon's utilities will earn greater than their costs of capital in the long run.

We believe Exelon's retail supply business has no economic moat. Retail power and gas markets are highly competitive with virtually no barriers to entry, switching costs, or product differentiation. Although customer relationships can be sticky, retailers mostly end up competing on price.

**Moat Trend**

We assign Exelon a stable moat trend rating. The regulatory environments in Illinois, Pennsylvania, and Maryland have stabilized, allowing the company's distribution utilities to earn more favorable returns. About 75% of the \$9.5 billion of rate base growth in 2019-22 will have rate trackers or formula rates, minimizing regulatory lag. Exelon faces the biggest challenge boosting Pepco's earned returns some 200 basis points to approach its allowed returns.

In the power markets, Exelon faces both positive and



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negative trend developments. We expect returns on capital will continue to face pressure from cheap gas moving west and increasing renewable energy penetration. However, environmental regulations, coal plant closures, and capacity market changes should help returns on capital. On balance, we think these positive and negative dynamics offset each other.

Since the retail supply business is relatively new following power market deregulation in the early 2000s, we're watching to see if any company can build a sustainable competitive advantage. Exelon and others are demonstrating some scale and cost advantages, particularly in marketing, customer aggregation, risk mitigation, and supply costs.

The one path we see to achieve excess returns in the supply business is to match customer load with wholesale generation. As liquidity has dried up in power markets, it is increasingly difficult and costly to hedge future expected generation. A retail supply business can improve hedging opportunities by reducing collateral and trading costs. This could give a retail supplier a low-cost advantage. As the nation's largest wholesale power generator and retail supplier, Exelon is well positioned to take advantage of these wholesale-retail pairing benefits.



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### Bulls Say/Bears Say

#### Bulls Say

- Nuclear power plants run year-round, produce electricity at low variable costs, and generate large energy margins, even with currently depressed power prices.
- Higher natural gas and coal prices, rising electricity demand, and environmental regulations help Exelon more than any other utility because of its large nuclear fleet.
- Exelon's regulated utilities have good growth opportunities and regulation that can support earnings and dividend growth.

#### Bears Say

- Exelon's performance in part is driven by volatile power prices that fluctuate based on natural gas prices, coal prices, and regional electricity demand.
- The Constellation and Pepco acquisitions diluted Exelon's economic moat by adding more no-moat retail business.
- Many of Exelon's growth projects come with regulated or contracted returns, reducing shareholders' leverage to a rebound in power markets.



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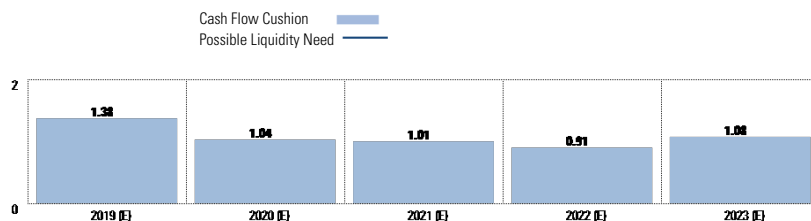
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### Five Year Adjusted Cash Flow Forecast (USD Mil)

	2019(E)	2020(E)	2021(E)	2022(E)	2023(E)
Cash and Equivalents (beginning of period)	1,349	1,433	753	822	438
Adjusted Available Cash Flow	3,124	2,120	2,869	2,962	4,252
Total Cash Available before Debt Service	4,473	3,552	3,622	3,783	4,691
Principal Payments	-1,483	-1,626	-1,600	-2,000	-2,275
Interest Payments	-1,448	-1,482	-1,516	-1,698	-1,611
Other Cash Obligations and Commitments	-303	-303	-463	-464	-463
Total Cash Obligations and Commitments	-3,234	-3,411	-3,579	-4,162	-4,349

### Cumulative Annual Cash Flow Cushion



### Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	1,349	7.2
Sum of 5-Year Adjusted Free Cash Flow	15,326	81.8
Sum of Cash and 5-Year Cash Generation	16,675	89.0
Revolver Availability	—	—
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	16,675	89.0
Sum of 5-Year Cash Commitments	-18,735	—

### Financial Strength

As power prices have fallen from their 2008 peaks, Exelon has spent much of the last decade focused on preserving its investment-grade credit rating. Management is targeting a \$2.2 billion to \$3.8 billion reduction in nonutility debt through 2022. We see no immediate credit concerns based on current energy market conditions. We project Exelon's consolidated EBITDA/interest coverage will remain above 5 times and leverage will remain below 5 times debt/EBITDA at least through 2019. Even though these ratios are weaker following the Pepco acquisition, we think this is acceptable, given the higher share of regulated earnings. Only about one fourth of Exelon's consolidated debt is directly tied to its generation segment. As long as power markets remain relatively stable and Exelon maintains its investment-grade ratings, we don't expect the company to have trouble refinancing its near-term maturities. Management will grow the dividend 5% in 2019, but we think dividend growth will ease lower as gross margins from generation weaken.

### Risk & Uncertainty

Investors should consider turning their attention away from power markets and more toward regulatory developments in Illinois, Pennsylvania, and the Mid-Atlantic coastal states. As Exelon's regulated utilities generate a greater share of earnings, shareholders' returns will be more exposed to state and federal regulatory risk. Illinois and Maryland are two historically tough regulatory environments, and punitive rate decisions could have a material impact on earnings and growth. However, Exelon has done a solid job developing good regulatory relationships that mitigate some of this risk. We expect Exelon will be able to maintain solid--albeit not spectacular--returns at its regulated utilities. Exelon's biggest threat used to be political developments that would reregulate competitive electricity markets in the Midwest and Mid-Atlantic. As the nation's largest wholesale generator and retail supplier, Exelon Generation's



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competitive edge requires Eastern U.S. power markets to remain deregulated. However, Exelon's political savvy, particularly in Illinois, New York, and New Jersey, now limits the impact from volatile power markets on earnings and long-term value. We expect most of the nuclear fleet is earning returns in the range of what might be available in a fully regulated scheme. Exelon still has a net long position in the power markets, so sharp increases in power prices would result in an earnings windfall for its generation fleet. This could reverse the current outlook, leading Exelon to pull back its lobbying efforts while drawing reregulation rhetoric from regulators and politicians. Exelon previously suffered from politically inspired power price caps that limited its profits for several years following deregulation. We think the now-mature deregulated markets make this unlikely, but regulators remain highly involved in power markets, and any regulatory changes will probably have a material positive or negative impact on Exelon, given its size.



Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
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### Management & Ownership

#### Management Activity

Name	Position	Shares Held	Report Date*	Insider Activity
MR. CHRISTOPHER M. CRANE	CEO/Chairman of the Board, Subsidiary/Director/President, Director	383,640	04 Feb 2019	—
MAYO A. SHATTUCK, III	Director	267,649	08 Nov 2017	—
MR. WILLIAM A. VON HOENE, JR	Other Executive Officer/Senior Executive VP	168,715	04 Feb 2019	—
MR. JOSEPH NIGRO	CEO, Subsidiary/Executive VP	95,774	04 Feb 2019	—
MS. ANNE R. PRAMAGGIORE	CEO, Subsidiary/President, Subsidiary	87,518	04 Feb 2019	—
PAYMON ALIABADI	Executive VP/Other Executive Officer	85,048	04 Feb 2019	—

\*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

#### Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Vanguard US Total Market Shares ETF	2.66	0.17	1,552	31 Jan 2019
Vanguard Total Stock Market Index Fund	2.66	0.17	759	31 Jan 2019
Vanguard 500 Index Fund	1.89	0.21	100	31 Jan 2019
Vanguard Wellingtonñ,ç Fund	1.63	0.65	—	31 Jan 2019
Utilities Select Sector SPDR® Fund	1.18	6.38	110	31 Jan 2019

#### Concentrated Holders

Vanguard Market Neutral Fund	0.02	21.36	—	31 Jan 2019
Motif Smart Grid Portfolio	0.00	11.60	0	31 Jan 2019
Kathrein Global Enterprise	0.01	9.64	—	31 Jan 2019
MainStay VP Fidelity Ins AM Utilits Pf	0.24	9.24	820	31 Jan 2019
iShares Edge MSCI Multifactor Utilt ETF	0.00	7.95	—	31 Jan 2019

#### Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Man Group PLC	0.63	0.97	4,322	31 Jan 2019
BMO Asset Management Corp.	0.46	1.52	4,167	31 Jan 2019
TIAA-CREF Investment Management LLC	0.80	0.11	3,724	31 Jan 2019
Nordea Investment Mgmt Bank Demark A/s	0.57	0.26	3,039	31 Jan 2019
ARONSON+JOHNSON+ORTIZ	0.45	0.89	2,913	31 Jan 2019

#### Top 5 Sellers

Capital Research Global Investors	0.76	0.09	-10,937	31 Jan 2019
FMR Inc	4.27	0.20	-7,527	31 Jan 2019
Fidelity Management and Research Company	3.97	0.20	-7,344	31 Jan 2019
AOR Capital Management LLC	1.93	0.78	-5,375	31 Jan 2019
Fidelity Management & Research Company	3.44	42.87	-5,002	31 Jan 2019

#### Stewardship 12 Feb 2019

We assign Exelon's management team a Standard stewardship rating. The company has done a notable job reducing its exposure to commodity markets, which it can't control, and focusing on business lines where it can control how earnings develop.

We're particularly impressed by management's ability to operate its nuclear fleet at world-class levels. We're also impressed by the lobbying success it has had, particularly in New York, Illinois, and New Jersey, to extend the lives of its distressed nuclear plants. This is the one thing it can control and preserves the value-creation opportunities if power prices rise. President and CEO Chris Crane led the generation segment to world-class results in his five years as COO. Exelon's nuclear capacity factors routinely approach 94% across its nuclear fleet. The rest of the nuclear industry averages in the mid-80% range.

Management has also been able to score legislative wins that should improve the regulatory environment in Delaware and Pennsylvania. In Delaware, legislators approved a distribution customer charge that will allow for more timely recovery and support further infrastructure development. In Pennsylvania, legislation will allow state regulators to incorporate more constructive rate mechanisms, such as decoupling, formula rates, and multiyear rate plans and rate cases.

Crane and board chairman Mayo Shattuck III have focused growth investment on the regulated utilities, continuing a strategic shift that former CEO and chairman John Rowe made before his departure in 2013. Crane's biggest move so far is the \$12 billion (including debt) Pepco acquisition, which closed in 2016. This increases Exelon's share of regulated utilities earnings and dilutes shareholders' aggregate exposure to wholesale power markets. Management showed strong conviction in the value of the deal based on nearly two years of regulatory negotiations.



Morningstar Equity Research

# Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.92 USD	43.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

## Analyst Notes

### Exelon's Utilities Perform Well, but Generation Continues to Concern Us 08 Feb 2019

We are reaffirming our \$40 fair value estimate and narrow moat and stable moat trend ratings for Exelon after the company announced adjusted full-year 2018 earnings per share of \$3.12, up from \$2.62 in 2017. Management initiated 2019 EPS guidance of \$3.00-\$3.30, consistent with our expectations.

Zero-emission credit revenue was a large benefit for Exelon in 2018, boosting earnings by \$0.35 per share. Exelon has cleared legal challenges in Illinois and New York, and we expect any future efforts to challenge the credits to be unsuccessful. Approved ZEC revenue in New Jersey will help 2019 earnings. We don't forecast Exelon being successful in securing zero-emission credits in Pennsylvania.

Our main concern rests with Exelon's generation that isn't receiving support. Weak forward power prices are a material headwind for Exelon. Total forecast gross margin drops to \$7.15 billion in 2021 from \$7.65 billion in 2019. Exelon also has taken a relatively aggressive hedging approach, increasing the potential upside as well as downside to volatile commodity prices. We do like management's efforts to deleverage its balance sheet and use cash flow from generation to invest in its regulated units. Management continues to manage costs at the unit well.

Exelon's regulated businesses continue to perform well. Management has driven meaningful operational improvement from its acquired utility assets, and we think this has been a significant driver in the improved regulatory treatment in the region. Numerous riders and formula rates have reduced regulatory lag, which is a positive, given Exelon's large capital program. Rolling 12-month earned returns ticked up to 9.7% from 9.5% in the year-ago period.

### Can EVs, Pot, and Data Save U.S. Electricity Demand? 30 Nov 2018

U.S. electricity demand has flatlined during the last decade, but we think it will spring to life. We forecast three emerging electricity demand sources—data centers, electric vehicle charging, and marijuana production—will approach 6% of total U.S. electricity demand by 2030, offsetting energy efficiency gains and resulting in 1.25% total annual electricity demand growth through 2030.

We are reaffirming our fair value estimates and moat ratings for all U.S. utilities. Utilities will have to work hard to attract new demand. We think the most successful will be those that invest in grid expansion, smart networks, reliability, and renewable energy. Utilities that slack on investment could face slowing long-term earnings and dividend growth.

Three utilities that we think will benefit the most based on our electricity demand forecast are Dominion Energy, Duke Energy, and Edison International. All trade near or below our fair value estimates. Dominion and Duke should benefit directly from higher demand in their mid-Atlantic and Southeast locations. Edison should benefit from infrastructure investments to support California's progressive energy policies.

Data center expansion is the largest source of new electricity demand in our forecast. We expect data centers to represent more than 3% of all U.S. electricity use by 2030. We think the Southwest and mid-Atlantic regions will benefit the most from data center growth.

The second-largest source of new demand is electric vehicle charging, which we expect to accelerate in the outer years of our forecast based on Morningstar's bullish EV sales forecast. Third, expanding marijuana legalization and use



Morningstar Equity Research

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### Analyst Notes

could quadruple the industry's electricity needs as energy-intensive indoor growing facilities expand.

rate cases should continue the positive trend in regulated returns.

Energy efficiency will remain a drag on electricity demand, but we expect diminishing returns as high-efficiency lights, appliances, and building codes reach widespread adoption.

Management announced \$200 million in additional cost savings, with \$150 million assigned to ExGen, by 2021. Management has been successful at driving efficiencies, having identified \$900 million of reductions since 2015.

For more details on our U.S. electricity demand forecast, download our Utilities Observer report, "EVs, Pot, and Data: Can They Save Electricity Demand?" For more on our electric vehicle sales forecast, download our Electric Vehicle Observer published in September 2018.

#### **Exelon Continues to Identify Cost Savings, Helping Mitigate ExGen Headwinds** 01 Nov 2018

We are reaffirming our \$37 fair value estimate and our narrow-moat and stable moat trend ratings for Exelon after the company announced adjusted third-quarter EPS of \$0.88, up from \$0.85 per share in the same year-ago period. Management increased the lower end of its 2018 guidance range to \$3.00-\$3.20 from \$2.90-\$3.20, consistent with our full-year expectations.

During the quarter, both the Seventh and Second Circuit Court of Appeals upheld the legality of ZECs supporting Exelon's nuclear fleet in New York and Illinois. We expected a positive ruling at both courts, and have fully incorporated these states' ZEC payments into our outlook. In New Jersey, the process for implementation of the ZEC program is on track for a second-quarter initiation, with utilities having filed tariffs to recover ZEC charges. Exelon continues to actively lobby for PJM reform that would give states flexibility in securing capacity that aligns with state public policy goals.

Earned returns at the company's regulated utilities ticked up to 9.6% from the prior rolling 12-month 9.4% return. Returns were supported by favorable weather and rate case outcomes resulting in increased rates. Further outstanding



Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

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### Morningstar Analyst Forecasts

#### Financial Summary and Forecasts

Fiscal Year Ends in December

		Forecast					
	3-Year Hist. CAGR	2016	2017	2018	2019	2020	5-Year Proj. CAGR
Growth (% YoY)							
Revenue	6.9	6.5	6.9	7.3	-8.7	2.7	1.3
EBIT	-4.0	-29.4	36.9	-8.5	12.9	-6.6	11.1
EBITDA	6.4	2.8	14.8	2.0	7.2	-2.3	6.6
Net Income	5.3	11.7	2.4	2.1	15.8	-8.5	8.7
Diluted EPS	2.5	7.6	—	—	15.6	-8.7	8.5
Earnings Before Interest, after Tax	3.9	-14.4	9.3	19.7	-20.6	-3.6	2.7
Free Cash Flow	60.9	-1,243.2	-100.6	NM	-3.0	-49.2	17.2

	3-Year Hist. Avg	2016	2017	2018	2019	2020	5-Year Proj. Avg
Profitability							
Operating Margin %	11.2	9.9	12.7	10.8	13.4	12.2	14.3
EBITDA Margin %	23.2	22.5	24.1	22.9	26.9	25.6	27.5
Net Margin %	7.6	7.9	7.6	7.2	9.2	8.2	9.0
Free Cash Flow Margin %	-4.6	-20.5	0.1	6.5	6.9	3.4	7.5
ROIC %	2.1	2.3	1.9	1.9	4.9	4.9	5.5
Adjusted ROIC %	2.2	2.5	2.1	2.1	5.3	5.3	6.0
Return on Assets %	2.0	1.1	3.3	1.7	2.5	2.2	2.5
Return on Equity %	8.2	4.4	13.6	6.6	9.5	8.2	9.1

	3-Year Hist. Avg	2016	2017	2018	2019	2020	5-Year Proj. Avg
Leverage							
Debt/Capital	0.56	0.58	0.54	0.54	0.53	0.52	0.50
Total Debt/EBITDA	4.64	5.10	4.40	4.43	4.13	4.23	3.76
EBITDA/Interest Expense	5.03	4.59	5.18	5.31	6.11	5.83	6.24

#### Valuation Summary and Forecasts

	2017	2018	2019(E)	2020(E)
Price/Fair Value	1.19	1.13	—	—
Price/Earnings	14.7	16.8	15.5	16.9
EV/EBITDA	8.3	8.8	9.2	9.4
EV/EBIT	15.7	18.6	18.5	19.8
Free Cash Flow Yield %	-0.3	2.8	4.3	1.4
Dividend Yield %	3.3	3.1	2.9	3.0

#### Key Valuation Drivers

Cost of Equity %	9.0
Pre-Tax Cost of Debt %	6.5
Weighted Average Cost of Capital %	7.0
Long-Run Tax Rate %	25.0
Stage II EBI Growth Rate %	4.0
Stage II Investment Rate %	50.0
Perpetuity Year	15

Additional estimates and scenarios available for download at <http://select.morningstar.com>.

#### Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	10,584	13.9	10.90
Present Value Stage II	18,217	23.9	18.76
Present Value Stage III	47,475	62.2	48.88
<b>Total Firm Value</b>	<b>76,276</b>	<b>100.0</b>	<b>78.53</b>
Cash and Equivalents	1,349	—	1.39
Debt	-36,528	—	-37.61
Preferred Stock	—	—	—
Other Adjustments	60	—	0.06
<b>Equity Value</b>	<b>41,157</b>	<b>—</b>	<b>42.37</b>
Projected Diluted Shares	971		
<b>Fair Value per Share (USD)</b>	<b>43.00</b>		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

**Exelon Corp EXC** (NYSE) | ★★

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## Morningstar Analyst Forecasts

**Income Statement (USD Mil)**

Fiscal Year Ends in December

	2016	2017	2018	Forecast	
				2019	2020
<b>Revenue</b>	<b>31,360</b>	<b>33,531</b>	<b>35,985</b>	<b>32,850</b>	<b>33,735</b>
Cost of Goods Sold	12,640	14,035	16,670	13,860	14,745
<b>Gross Profit</b>	<b>18,720</b>	<b>19,496</b>	<b>19,315</b>	<b>18,991</b>	<b>18,989</b>
Selling, General & Administrative Expenses	10,048	10,126	9,337	8,336	8,495
Other Operating Expense (Income)	1,576	1,731	1,783	1,809	1,851
Other Operating Expense (Income)	48	-449	-56	—	—
Depreciation & Amortization (if reported separately)	3,936	3,828	4,353	4,443	4,532
<b>Operating Income (ex charges)</b>	<b>3,112</b>	<b>4,260</b>	<b>3,898</b>	<b>4,402</b>	<b>4,112</b>
Restructuring & Other Cash Charges	—	—	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
<b>Operating Income (incl charges)</b>	<b>3,112</b>	<b>4,260</b>	<b>3,898</b>	<b>4,402</b>	<b>4,112</b>
Interest Expense	1,536	1,560	1,554	1,448	1,482
Interest Income	389	1,024	-140	850	850
<b>Pre-Tax Income</b>	<b>1,965</b>	<b>3,724</b>	<b>2,204</b>	<b>3,805</b>	<b>3,480</b>
Income Tax Expense	761	-125	120	799	731
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	-62	-62	-74	—	—
(Preferred Dividends)	-8	-8	—	—	—
<b>Net Income</b>	<b>1,134</b>	<b>3,779</b>	<b>2,010</b>	<b>3,006</b>	<b>2,749</b>
Weighted Average Diluted Shares Outstanding	927	949	969	971	972
<b>Diluted Earnings Per Share</b>	<b>1.22</b>	<b>3.98</b>	<b>2.07</b>	<b>3.10</b>	<b>2.83</b>
Adjusted Net Income	2,484	2,543	2,597	3,006	2,749
<b>Diluted Earnings Per Share (Adjusted)</b>	<b>2.68</b>	<b>2.68</b>	<b>2.68</b>	<b>3.10</b>	<b>2.83</b>
Dividends Per Common Share	1.26	1.26	1.26	1.41	1.44
<b>EBITDA</b>	<b>8,688</b>	<b>9,687</b>	<b>9,869</b>	<b>8,845</b>	<b>8,644</b>
<b>Adjusted EBITDA</b>	<b>7,048</b>	<b>8,088</b>	<b>8,251</b>	<b>8,845</b>	<b>8,644</b>



Morningstar Equity Research

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### Morningstar Analyst Forecasts

#### Balance Sheet (USD Mil)

Fiscal Year Ends in December

	2016	2017	2018	Forecast	
				2019	2020
Cash and Equivalents	635	898	1,349	1,433	753
Investments	—	—	—	—	—
Accounts Receivable	5,359	5,533	5,863	5,670	5,823
Inventory	1,638	1,651	1,685	1,823	1,939
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	4,780	3,752	4,463	4,000	4,000
<b>Current Assets</b>	<b>12,412</b>	<b>11,834</b>	<b>13,360</b>	<b>12,925</b>	<b>12,515</b>
Net Property Plant, and Equipment	71,555	74,202	76,707	79,839	82,457
Goodwill	6,677	6,677	6,677	6,677	6,677
Other Intangibles	—	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	10,046	8,021	8,237	9,000	9,000
Long-Term Non-Operating Assets	14,214	15,966	14,685	14,685	14,685
<b>Total Assets</b>	<b>114,904</b>	<b>116,700</b>	<b>119,666</b>	<b>123,127</b>	<b>125,334</b>
Accounts Payable	3,449	3,537	3,805	3,797	3,838
Short-Term Debt	3,697	3,017	2,063	2,063	2,063
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	6,311	4,242	5,536	6,100	6,100
<b>Current Liabilities</b>	<b>13,457</b>	<b>10,796</b>	<b>11,404</b>	<b>11,960</b>	<b>12,001</b>
Long-Term Debt	32,216	32,565	34,465	34,465	34,465
Deferred Tax Liabilities (Long-Term)	18,138	11,222	11,330	12,000	12,750
Other Long-Term Operating Liabilities	4,187	9,865	9,559	10,500	10,500
Long-Term Non-Operating Liabilities	19,294	20,120	19,838	19,838	19,838
<b>Total Liabilities</b>	<b>87,292</b>	<b>84,568</b>	<b>86,596</b>	<b>88,763</b>	<b>89,554</b>
Preferred Stock	—	—	—	—	—
Common Stock	18,794	18,964	19,116	19,116	19,116
Additional Paid-in Capital	—	—	—	60	120
Retained Earnings (Deficit)	12,030	13,503	14,766	16,410	17,767
(Treasury Stock)	-2,327	-123	-123	-123	-123
Other Equity	-2,660	-2,487	-2,995	-2,700	-2,700
<b>Shareholder's Equity</b>	<b>25,837</b>	<b>29,857</b>	<b>30,764</b>	<b>32,763</b>	<b>34,180</b>
Minority Interest	1,775	2,275	2,306	1,600	1,600
<b>Total Equity</b>	<b>27,612</b>	<b>32,132</b>	<b>33,070</b>	<b>34,363</b>	<b>35,780</b>



Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

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### Morningstar Analyst Forecasts

#### Cash Flow (USD Mil)

Fiscal Year Ends in December

	2016	2017	2018	Forecast	
				2019	2020
Net Income	1,204	3,849	2,084	3,006	2,749
Depreciation	5,576	5,427	5,971	4,443	4,532
Amortization	—	—	—	—	—
Stock-Based Compensation	—	—	—	—	—
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	664	-361	-106	670	750
Other Non-Cash Adjustments	1,482	380	1,715	—	—
(Increase) Decrease in Accounts Receivable	-432	-426	-565	193	-153
(Increase) Decrease in Inventory	7	-72	-37	-138	-116
Change in Other Short-Term Assets	-827	-927	-969	463	—
Increase (Decrease) in Accounts Payable	771	-390	551	-8	41
Change in Other Short-Term Liabilities	—	—	—	564	—
<b>Cash From Operations</b>	<b>8,445</b>	<b>7,480</b>	<b>8,644</b>	<b>9,193</b>	<b>7,803</b>
(Capital Expenditures)	-8,553	-7,584	-7,594	-7,175	-7,150
Net (Acquisitions), Asset Sales, and Disposals	-6,934	-208	-154	-400	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-16	-142	-86	178	—
<b>Cash From Investing</b>	<b>-15,503</b>	<b>-7,934</b>	<b>-7,834</b>	<b>-7,397</b>	<b>-7,150</b>
Common Stock Issuance (or Repurchase)	55	150	105	60	60
Common Stock (Dividends)	-1,166	-1,236	-1,332	-1,361	-1,392
Short-Term Debt Issuance (or Retirement)	-575	-340	-213	—	—
Long-Term Debt Issuance (or Retirement)	2,780	980	1,329	—	—
Other Financing Cash Flows	97	1,163	-108	-706	—
<b>Cash From Financing</b>	<b>1,191</b>	<b>717</b>	<b>-219</b>	<b>-2,007</b>	<b>-1,332</b>
Exchange Rates, Discontinued Ops, etc. (net)	—	—	—	295	—
<b>Net Change in Cash</b>	<b>-5,867</b>	<b>263</b>	<b>591</b>	<b>84</b>	<b>-679</b>



Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

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## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Valuation Analysis

Company/Ticker	Price/Fair Value	Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
		2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)
Public Service Enterprise Group Inc	1.19	18.1	17.9	16.3	11.9	11.4	10.5	NM	NM	-45.6	—	—	—	3.0	2.9	2.7
FirstEnergy Corp FE USA	0.99	15.5	15.2	15.8	10.9	10.3	10.2	113.9	NM	-67.4	—	—	—	1.6	1.6	1.6
Entergy Corp ETR USA	0.95	13.0	15.1	14.7	9.4	9.2	8.6	NM	NM	-20.4	—	—	—	1.4	1.4	1.3
Average		15.5	16.1	15.6	10.7	10.3	9.8	113.9	—	-44.5	—	—	—	2.0	2.0	1.9
<b>Exelon Corp EXC US</b>	<b>1.20</b>	<b>16.8</b>	<b>15.5</b>	<b>16.9</b>	<b>8.8</b>	<b>9.2</b>	<b>9.4</b>	<b>36.1</b>	<b>23.0</b>	<b>71.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.1</b>	<b>1.4</b>	<b>1.4</b>

### Returns Analysis

Company/Ticker	Last Historical Year Total Assets (Mil)	ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
		2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)
Public Service Enterprise Group Inc	— USD	6.6	6.5	6.7	6.6	6.5	6.7	11.1	10.7	11.2	3.6	3.5	3.6	3.2	3.4	3.5
FirstEnergy Corp FE USA	— USD	6.7	7.5	7.0	8.3	9.3	8.6	24.1	18.1	16.2	3.4	3.6	3.3	3.6	3.9	4.1
Entergy Corp ETR USA	— USD	7.2	6.0	6.0	7.2	6.1	6.1	14.8	11.9	11.6	2.7	2.3	2.3	3.9	4.0	4.2
Average		6.8	6.7	6.6	7.4	7.3	7.1	16.7	13.6	13.0	3.2	3.1	3.1	3.6	3.8	3.9
<b>Exelon Corp EXC US</b>	<b>119,666 USD</b>	<b>1.9</b>	<b>4.9</b>	<b>4.9</b>	<b>2.1</b>	<b>5.3</b>	<b>5.3</b>	<b>6.6</b>	<b>9.5</b>	<b>8.2</b>	<b>1.7</b>	<b>2.5</b>	<b>2.2</b>	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>

### Growth Analysis

Company/Ticker	Last Historical Year Revenue (Mil)	Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
		2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)
Public Service Enterprise Group Inc	9,303 USD	2.4	6.1	6.4	75.1	4.2	11.0	5.6	1.1	9.7	-69.4	-184.2	-196.7	4.7	4.4	4.3
FirstEnergy Corp FE USA	12,271 USD	-12.5	1.8	1.4	-0.4	6.0	0.0	-17.1	2.2	-4.0	-34.5	-98.5	383.9	—	5.6	5.3
Entergy Corp ETR USA	12,016 USD	8.5	2.5	3.3	26.8	-0.7	8.7	-2.8	-14.4	3.4	4.1	6.9	-102.3	2.3	2.5	2.7
Average		-0.5	3.5	3.7	33.8	3.2	6.6	-4.8	-3.7	3.0	-33.3	-91.9	28.3	3.5	4.2	4.1
<b>Exelon Corp EXC US</b>	<b>35,985 USD</b>	<b>7.3</b>	<b>-8.7</b>	<b>2.7</b>	<b>-8.5</b>	<b>12.9</b>	<b>-6.6</b>	<b>—</b>	<b>15.6</b>	<b>-8.7</b>	<b>NM</b>	<b>-3.0</b>	<b>-49.2</b>	<b>—</b>	<b>11.9</b>	<b>2.1</b>



Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.92 USD	43.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)
Public Service Enterprise Group Inc	1,568 USD	69.3	67.5	67.4	38.7	38.2	39.2	26.9	26.4	27.5	16.9	16.1	16.6	-4.0	-1.6	-5.9
FirstEnergy Corp FE USA	1,371 USD	64.3	64.6	64.9	29.3	30.5	30.5	20.9	21.8	21.5	11.2	11.3	10.7	1.5	-3.0	-2.4
Entergy Corp ETR USA	1,278 USD	67.7	66.8	66.3	30.7	30.6	31.7	18.8	18.2	19.2	10.6	9.5	9.7	-14.8	-16.1	-6.6
Average		67.1	66.3	66.2	32.9	33.1	33.8	22.2	22.1	22.7	12.9	12.3	12.3	-5.8	-6.9	-5.0
<b>Exelon Corp EXC US</b>	<b>2,597 USD</b>	<b>53.7</b>	<b>57.8</b>	<b>56.3</b>	<b>22.9</b>	<b>26.9</b>	<b>25.6</b>	<b>10.8</b>	<b>13.4</b>	<b>12.2</b>	<b>7.2</b>	<b>9.2</b>	<b>8.2</b>	<b>2.9</b>	<b>6.1</b>	<b>1.9</b>

### Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)
Public Service Enterprise Group Inc	15,010 USD	103.4	105.2	109.2	50.8	51.3	52.2	7.3	6.5	6.3	4.2	4.3	4.3	3.1	3.1	3.1
FirstEnergy Corp FE USA	18,500 USD	248.2	243.4	242.0	71.3	70.9	70.8	4.2	4.0	3.8	5.1	5.2	5.4	5.1	4.9	4.8
Entergy Corp ETR USA	18,000 USD	194.8	191.0	192.2	66.1	65.6	65.8	4.9	4.6	4.6	4.9	5.3	5.2	5.4	5.1	5.1
Average		182.1	179.9	181.1	62.7	62.6	62.9	5.5	5.0	4.9	4.7	4.9	5.0	4.5	4.4	4.3
<b>Exelon Corp EXC US</b>	<b>36,528 USD</b>	<b>118.7</b>	<b>111.5</b>	<b>106.9</b>	<b>54.3</b>	<b>52.7</b>	<b>51.7</b>	<b>5.3</b>	<b>6.1</b>	<b>5.8</b>	<b>4.4</b>	<b>4.1</b>	<b>4.2</b>	<b>3.9</b>	<b>3.8</b>	<b>3.7</b>

### Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
		2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)	2018	2019(E)	2020(E)
Public Service Enterprise Group Inc	28,305 USD	0.53	0.43	0.31	0.74	0.71	0.67	0.67	0.63	0.59	0.16	0.12	0.08	58.2	60.1	57.1
FirstEnergy Corp FE USA	20,212 USD	0.63	0.44	0.31	0.64	0.63	0.62	0.53	0.51	0.51	0.22	0.16	0.11	56.5	58.4	64.0
Entergy Corp ETR USA	17,080 USD	2.46	1.59	1.23	0.70	0.67	0.66	0.47	0.44	0.42	0.22	0.15	0.12	51.1	61.2	60.8
Average		1.21	0.82	0.62	0.69	0.67	0.65	0.56	0.53	0.51	0.20	0.14	0.10	55.3	59.9	60.6
<b>Exelon Corp EXC US</b>	<b>46,470 USD</b>	<b>1.39</b>	<b>1.48</b>	<b>0.77</b>	<b>1.17</b>	<b>1.08</b>	<b>1.04</b>	<b>1.02</b>	<b>0.93</b>	<b>0.88</b>	<b>0.65</b>	<b>0.69</b>	<b>0.37</b>	<b>66.5</b>	<b>45.5</b>	<b>50.9</b>

# Research Methodology for Valuing Companies

## Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

### 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats:

intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

### 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

#### Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

#### Stage II: Fade

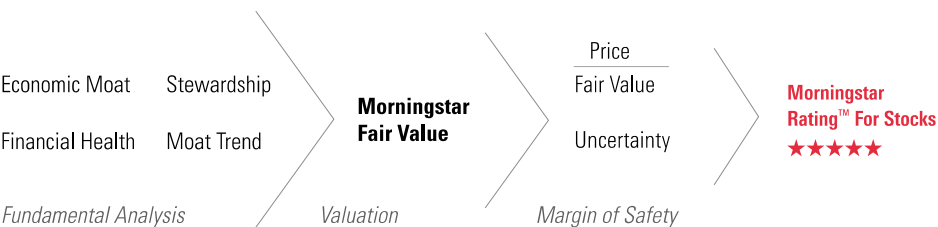
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

#### Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

## Morningstar Research Methodology for Valuing Companies



## Research Methodology for Valuing Companies

### 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

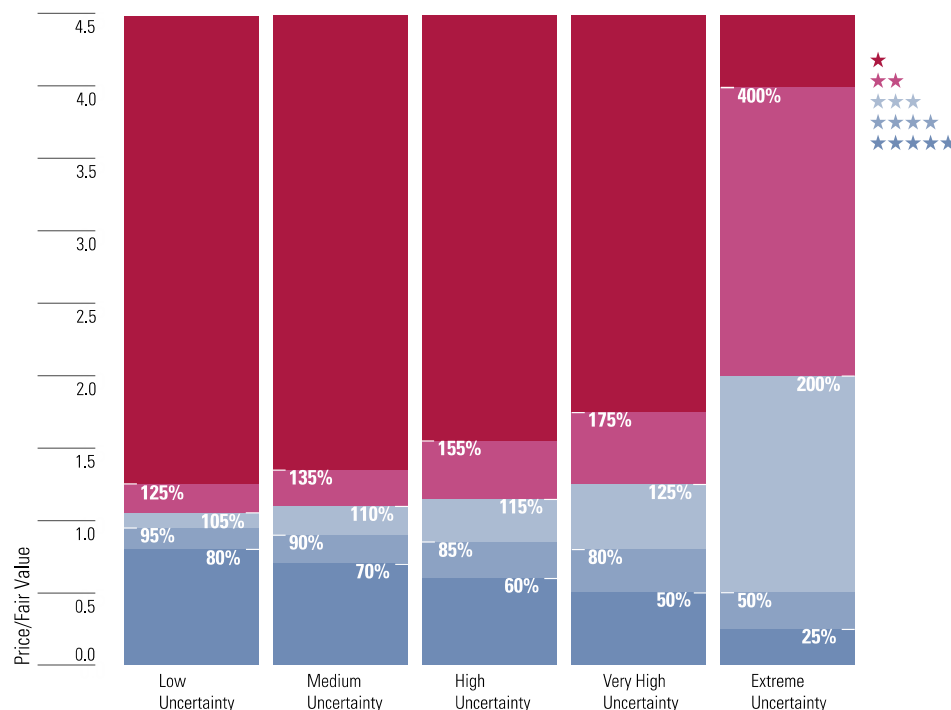
- Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

### 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>.

### Morningstar Equity Research Star Rating Methodology



### Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

# Research Methodology for Valuing Companies

## Other Definitions

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Stewardship Rating:** Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ▶ Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ▶ Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

## Risk Warning

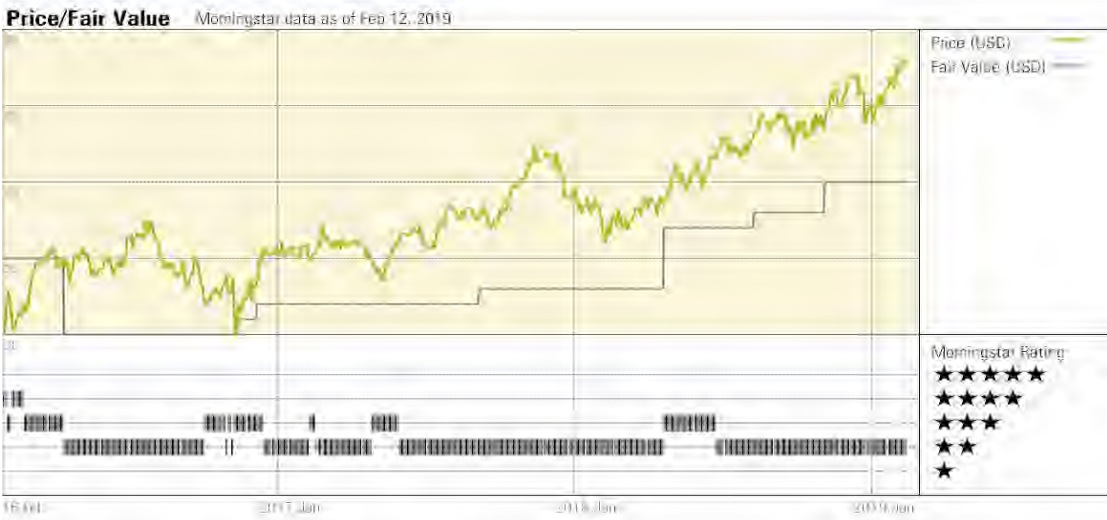
Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.



Morningstar Equity Research

# Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.92 USD	43.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated



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Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.92 USD	43.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

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## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
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previous 12-months of any publicly disclosed offer of financial instruments of the issuer.

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Morningstar Equity Research

## Exelon Corp EXC (NYSE) | ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.92 USD	43.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

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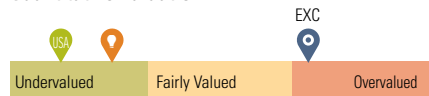
# Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★	47.92 USD	43.00 USD	1.11	2.89	3.03	46.35	Utilities - Diversified	Standard
12 Feb 2019 22:54, UTC	12 Feb 2019	12 Feb 2019 22:52, UTC		12 Feb 2019	12 Feb 2019	12 Feb 2019		

Morningstar Pillars	Analyst	Quantitative
Economic Moat	Narrow	Narrow
Valuation	★★	Overvalued
Uncertainty	Medium	Medium
Financial Health	—	Moderate

Source: Morningstar Equity Research

## Quantitative Valuation



	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	1.08	0.98	0.89	0.83
Price/Earnings	23.1	16.4	14.8	20.1
Forward P/E	15.2	—	13.7	13.9
Price/Cash Flow	5.4	4.7	6.5	13.1
Price/Free Cash Flow	44.1	86.3	13.1	19.5
Trailing Dividend Yield%	2.89	3.55	3.68	2.35

Source: Morningstar

## Bulls Say

- ▶ Nuclear power plants run year-round, produce electricity at low variable costs, and generate large energy margins, even with currently depressed power prices.
- ▶ Higher natural gas and coal prices, rising electricity demand, and environmental regulations help Exelon more than any other utility because of its large nuclear fleet.
- ▶ Exelon's regulated utilities have good growth opportunities and regulation that can support earnings and dividend growth.

## Bears Say

- ▶ Exelon's performance in part is driven by volatile power prices that fluctuate based on natural gas prices, coal prices, and regional electricity demand.
- ▶ The Constellation and Pepco acquisitions diluted Exelon's economic moat by adding more no-moat retail business.
- ▶ Many of Exelon's growth projects come with regulated or contracted returns, reducing shareholders' leverage to a rebound in power markets.

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## Generation Cost Efficiency Helps Offset Weak Forward Prices

### Business Strategy and Outlook

Andrew Bischof, CFA, CPA, Sr. Eq. Analyst, 12 February 2019

As the largest nuclear power plant owner in the United States, Exelon has suffered as low natural gas prices have slashed power prices since 2008. We think cheap gas will remain an advantage for competing generators and pressure nuclear plant returns for the foreseeable future. But Exelon has shown its political clout recently, winning subsidies in Illinois, New York, and New Jersey to keep its nuclear fleet economic.

Exelon's growth engine is its regulated gas and electric distribution utilities. With the \$12 billion acquisition of Pepco Holdings in March 2016, we expect Exelon's regulated electric and gas distribution utilities to drive all of our earnings growth through 2022. By then, the regulated utilities' earnings should easily top Exelon's generation earnings, based on current energy market conditions.

The regulatory outlook for Exelon's utilities is improving, supporting its growth plans. In Delaware, legislators approved a distribution customer charge that will allow for more timely recovery and support further infrastructure development. In Pennsylvania, legislation allows state regulators to incorporate more-constructive rate mechanisms such as decoupling, formula rates, and multiyear rate plans and rate cases.

At its nuclear unit, Exelon can't escape its leverage to Eastern and Midwestern U.S. power prices, which contribute about half of total earnings. Nuclear's low fuel costs and clean emission profile make Exelon the utilities sector's biggest winner if power prices rise, capacity markets tighten, and environmental regulations make fossil-fuel power generation more costly. Management continues to drive costs out of the business. Exelon forecasts \$4.2 billion in costs at the unit in 2022, down from \$4.8 billion in 2018.

Exelon continues to get courts' support for zero-emissions credits, or ZECs, programs that support nuclear fleet economics. In Illinois and New York, both the Seventh and Second Circuit Court of Appeals recently upheld the

legality of ZECs supporting Exelon's nuclear fleet in New York and Illinois. In New Jersey, ZEC legislation goes into effect the first quarter of 2019.

### Analyst Note

Andrew Bischof, CFA, CPA, Sr. Eq. Analyst, 08 February 2019

We are reaffirming our \$40 fair value estimate and narrow moat and stable moat trend ratings for Exelon after the company announced adjusted full-year 2018 earnings per share of \$3.12, up from \$2.62 in 2017. Management initiated 2019 EPS guidance of \$3.00-\$3.30, consistent with our expectations.

Zero-emission credit revenue was a large benefit for Exelon in 2018, boosting earnings by \$0.35 per share. Exelon has cleared legal challenges in Illinois and New York, and we expect any future efforts to challenge the credits to be unsuccessful. Approved ZEC revenue in New Jersey will help 2019 earnings. We don't forecast Exelon being successful in securing zero-emission credits in Pennsylvania.

Our main concern rests with Exelon's generation that isn't receiving support. Weak forward power prices are a material headwind for Exelon. Total forecast gross margin drops to \$7.15 billion in 2021 from \$7.65 billion in 2019. Exelon also has taken a relatively aggressive hedging approach, increasing the potential upside as well as downside to volatile commodity prices. We do like management's efforts to deleverage its balance sheet and use cash flow from generation to invest in its regulated units. Management continues to manage costs at the unit well.

Exelon's regulated businesses continue to perform well. Management has driven meaningful operational improvement from its acquired utility assets, and we think this has been a significant driver in the improved regulatory treatment in the region. Numerous riders and formula rates have reduced regulatory lag, which is a positive, given Exelon's large capital program. Rolling 12-month earned returns ticked up to 9.7% from 9.5% in the year-ago period.

# Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★ 12 Feb 2019 22:54, UTC	47.92 USD 12 Feb 2019	43.00 USD 12 Feb 2019 22:52, UTC	1.11	2.89 12 Feb 2019	3.03 12 Feb 2019	46.35 12 Feb 2019	Utilities - Diversified	Standard

Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
Public Service Enterprise Group Inc PEG	USD	28,295	9,325	23.16	12.95
FirstEnergy Corp FE	USD	20,125	14,321	18.38	0.00
Entergy Corp ETR	USD	17,031	11,121	11.23	38.61

## Economic Moat

Andrew Bischof, Sr. Eq. Analyst, 12 February 2019

Considering Exelon's full suite of businesses, we think the firm has a narrow economic moat.

Most nuclear generation still has moaty characteristics, with returns on capital above costs of capital for the foreseeable future. However, the spread between long-term returns on capital and Exelon's cost of capital has shrunk, based on our midcycle outlook for power prices in the Eastern U.S. Exelon's increasing diversification into narrow- and no-moat businesses, together with the shrinking returns at its nuclear generation business, supports our narrow moat rating.

Nuclear generation's moaty economics are based on two primary competitive advantages. First, nuclear plants take more than seven years to site and build, cost several billion dollars, and typically face community opposition. These are significant barriers to entry, giving operators an effective low-cost monopoly in a given region. Exelon's large fleet gives it scale advantages that allow it to add capacity at its plants at a fraction of the cost and risk of a greenfield project. It is unlikely a competitor would be able to earn sufficient returns on capital by building a nuclear plant in close proximity to any of Exelon's plants.

Second, no other reliable power generation source can match the cost or scale of a nuclear plant. Nuclear plants' low variable costs and low greenhouse gas emissions relative to competing fossil fuel power generation sources, such as coal and natural gas, reduce substitution threats. Renewable energy, with effectively no marginal costs, has depressed wholesale power prices and hurt Exelon's returns on capital in some of its regions. We believe this is a market distortion that fails to recognize the value of Exelon's nuclear fleet reliability relative to intermittent renewable energy. State policy and legislation particularly in Illinois and New York have recognized some of that zero-emissions power from nuclear plants.

As long as electricity remains a critical energy source in

the U.S. and nuclear investment requirements remain near current levels, we expect nuclear plants will maintain a low-cost advantage and generate supportive returns on capital. To monetize this competitive advantage, Exelon must retain access to wholesale power markets. Any reregulation of its generation fleet would shrink its moat. In addition, nuclear generation must maintain regulatory and political support in the U.S. and states where Exelon operates. If that support erodes, it could affect the economics of routine maintenance investments and lead to plant shutdowns, as we've seen elsewhere in the U.S. and overseas.

We believe Exelon's regulated distribution utilities have narrow economic moats. Regulatory caps on profits offsets the service territory monopolies and network efficient scale advantages. Utility regulation in the U.S. aims to fix customer rates at levels that ensure capital providers earn fair returns on their investments while keeping customer costs as low as possible. We believe this regulatory compact ensures Exelon's utilities will earn greater than their costs of capital in the long run.

We believe Exelon's retail supply business has no economic moat. Retail power and gas markets are highly competitive with virtually no barriers to entry, switching costs, or product differentiation. Although customer relationships can be sticky, retailers mostly end up competing on price.

## Fair Value & Profit Drivers

Andrew Bischof, Sr. Eq. Analyst, 12 February 2019

We are increasing our fair value estimate to \$43 per share from \$40 after Exelon reported fourth-quarter earnings that were in line with our expectations. The increase is due to rolling our five-year forecasts to incorporate more rate-base growth and lower generation operating expenses. Time-value appreciation also boosted our fair value.

We expect earnings growth at the regulated utilities to drive 6% consolidated annual earnings growth through 2022 on a normalized tax rate basis.

Our forecasts show Exelon's regulated utilities contributing about 60% of consolidated earnings. We assume the regulated utilities earn 10% returns on equity and grow their rate bases nearly 8% annually on average in 2019-22.

## Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
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On a midcycle basis, we assume a \$3 per million Btu midcycle Henry Hub gas price and modest market heat rate improvement above current 2020 forwards in all regions.

At the retail business, we assume 20% long-term normalized gross margins and volume that grows to 267 terawatt-hours by 2022.

We assume a 9% cost of equity and a 7.0% cost of capital. Our cost of equity assumption is in line with the 9% rate of return that we expect investors to demand of a diversified equity portfolio. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

### Risk & Uncertainty

Andrew Bischof, Sr. Eq. Analyst, 12 February 2019

Investors should consider turning their attention away from power markets and more toward regulatory developments in Illinois, Pennsylvania, and the Mid-Atlantic coastal states.

As Exelon's regulated utilities generate a greater share of earnings, shareholders' returns will be more exposed to state and federal regulatory risk. Illinois and Maryland are two historically tough regulatory environments, and punitive rate decisions could have a material impact on earnings and growth. However, Exelon has done a solid job developing good regulatory relationships that mitigate some of this risk. We expect Exelon will be able to maintain solid--albeit not spectacular--returns at its regulated utilities.

Exelon's biggest threat used to be political developments that would reregulate competitive electricity markets in the Midwest and Mid-Atlantic. As the nation's largest wholesale generator and retail supplier, Exelon Generation's competitive edge requires Eastern U.S. power markets to remain deregulated. However, Exelon's political savvy, particularly in Illinois, New York, and New Jersey, now limits the impact from volatile power markets on earnings and long-term value. We expect most of the nuclear fleet is earning returns in the range of what might be available in a fully regulated scheme.

Exelon still has a net long position in the power markets, so sharp increases in power prices would result in an earnings windfall for its generation fleet. This could

reverse the current outlook, leading Exelon to pull back its lobbying efforts while drawing reregulation rhetoric from regulators and politicians. Exelon previously suffered from politically inspired power price caps that limited its profits for several years following deregulation. We think the now-mature deregulated markets make this unlikely, but regulators remain highly involved in power markets, and any regulatory changes will probably have a material positive or negative impact on Exelon, given its size.

### Stewardship

Andrew Bischof, Sr. Eq. Analyst, 12 February 2019

We assign Exelon's management team a Standard stewardship rating. The company has done a notable job reducing its exposure to commodity markets, which it can't control, and focusing on business lines where it can control how earnings develop.

We're particularly impressed by management's ability to operate its nuclear fleet at world-class levels. We're also impressed by the lobbying success it has had, particularly in New York, Illinois, and New Jersey, to extend the lives of its distressed nuclear plants. This is the one thing it can control and preserves the value-creation opportunities if power prices rise. President and CEO Chris Crane led the generation segment to world-class results in his five years as COO. Exelon's nuclear capacity factors routinely approach 94% across its nuclear fleet. The rest of the nuclear industry averages in the mid-80% range.

Management has also been able to score legislative wins that should improve the regulatory environment in Delaware and Pennsylvania. In Delaware, legislators approved a distribution customer charge that will allow for more timely recovery and support further infrastructure development. In Pennsylvania, legislation will allow state regulators to incorporate more constructive rate mechanisms, such as decoupling, formula rates, and multiyear rate plans and rate cases.

Crane and board chairman Mayo Shattuck III have focused growth investment on the regulated utilities, continuing a strategic shift that former CEO and chairman John Rowe made before his departure in 2013. Crane's biggest move so far is the \$12 billion (including debt) Pepco acquisition, which closed in 2016. This increases Exelon's share of regulated utilities earnings and dilutes shareholders' aggregate exposure to wholesale power markets. Management showed strong conviction in the value of the

Exelon Corp EXC (XNYS)

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deal based on nearly two years of regulatory negotiations.

# Exelon Corp EXC (XNYS)

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## Analyst Notes Archive

### Exelon Continues to Identify Cost Savings, Helping Mitigate ExGen Headwinds

Andrew Bischof, Sr. Eq. Analyst, 01 November 2018

We are reaffirming our \$37 fair value estimate and our narrow-moat and stable moat trend ratings for Exelon after the company announced adjusted third-quarter EPS of \$0.88, up from \$0.85 per share in the same year-ago period. Management increased the lower end of its 2018 guidance range to \$3.00-\$3.20 from \$2.90-\$3.20, consistent with our full-year expectations.

During the quarter, both the Seventh and Second Circuit Court of Appeals upheld the legality of ZECs supporting Exelon's nuclear fleet in New York and Illinois. We expected a positive ruling at both courts, and have fully incorporated these states' ZEC payments into our outlook. In New Jersey, the process for implementation of the ZEC program is on track for a second-quarter initiation, with utilities having filed tariffs to recover ZEC charges. Exelon continues to actively lobby for PJM reform that would give states flexibility in securing capacity that aligns with state public policy goals.

Earned returns at the company's regulated utilities ticked up to 9.6% from the prior rolling 12-month 9.4% return. Returns were supported by favorable weather and rate case outcomes resulting in increased rates. Further outstanding rate cases should continue the positive trend in regulated returns.

Management announced \$200 million in additional cost savings, with \$150 million assigned to ExGen, by 2021. Management has been successful at driving efficiencies, having identified \$900 million of reductions since 2015.

### Can EVs, Pot, and Data Save U.S. Electricity Demand?

Travis Miller, Strategist, 30 November 2018

U.S. electricity demand has flatlined during the last decade, but we think it will spring to life. We forecast three emerging electricity demand sources—data centers, electric vehicle charging, and marijuana production—will approach 6% of total U.S. electricity demand by 2030, offsetting energy efficiency gains and resulting in 1.25% total annual electricity demand growth through 2030.

We are reaffirming our fair value estimates and moat ratings for all U.S. utilities. Utilities will have to work hard to attract new demand. We think the most successful will be those that invest in grid expansion, smart networks, reliability, and renewable energy. Utilities that slack on investment could face slowing long-term earnings and dividend growth.

Three utilities that we think will benefit the most based on our electricity demand forecast are Dominion Energy, Duke Energy, and Edison International. All trade near or below our fair value estimates. Dominion and Duke should benefit directly from higher demand in their mid-Atlantic and Southeast locations. Edison should benefit from infrastructure investments to support California's progressive energy policies.

Data center expansion is the largest source of new electricity demand in our forecast. We expect data centers to represent more than 3% of all U.S. electricity use by 2030. We think the Southwest and mid-Atlantic regions will benefit the most from data center growth.

The second-largest source of new demand is electric vehicle charging, which we expect to accelerate in the outer years of our forecast based on Morningstar's bullish EV sales forecast. Third, expanding marijuana legalization and use could quadruple the industry's electricity needs as energy-intensive indoor growing facilities expand.

Energy efficiency will remain a drag on electricity demand, but we expect diminishing returns as high-efficiency lights, appliances, and building codes reach widespread adoption.

### Exelon's Utilities Perform Well, but Generation Continues to Concern Us

Andrew Bischof, Sr. Eq. Analyst, 08 February 2019

We are reaffirming our \$40 fair value estimate and narrow moat and stable moat trend ratings for Exelon after the company announced adjusted full-year 2018 earnings per share of \$3.12, up from \$2.62 in 2017. Management initiated 2019 EPS guidance of \$3.00-\$3.30, consistent with our expectations.

Zero-emission credit revenue was a large benefit for Exelon in 2018, boosting earnings by \$0.35 per share. Exelon has cleared legal challenges in Illinois and New

## Exelon Corp EXC (XNYS)

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Our main concern rests with Exelon's generation that isn't receiving support. Weak forward power prices are a material headwind for Exelon. Total forecast gross margin drops to \$7.15 billion in 2021 from \$7.65 billion in 2019. Exelon also has taken a relatively aggressive hedging approach, increasing the potential upside as well as downside to volatile commodity prices. We do like management's efforts to deleverage its balance sheet and use cash flow from generation to invest in its regulated units. Management continues to manage costs at the unit well.

Exelon's regulated businesses continue to perform well. Management has driven meaningful operational improvement from its acquired utility assets, and we think this has been a significant driver in the improved regulatory treatment in the region. Numerous riders and formula rates have reduced regulatory lag, which is a positive, given Exelon's large capital program. Rolling 12-month earned returns ticked up to 9.7% from 9.5% in the year-ago period.

**Exelon Corp EXC** ★★<sup>Q</sup> 12 Feb 2019 02:00 UTC**Last Close**

12 Feb 2019

47.92

**Fair Value<sup>Q</sup>**

12 Feb 2019 02:00 UTC

44.19

**Market Cap**

12 Feb 2019

46,353.9 Mil

**Sector**

Utilities

**Industry**

Utilities - Diversified

**Country of Domicile**

USA United States

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

**Company Profile**

Exelon Corp serves more customers than any other U.S. utility, with 10 million power and gas customers at its six regulated utilities in Illinois, Pennsylvania, Maryland, New Jersey, Delaware, and Washington, D.C. Exelon owns 11 nuclear plants and 33 gigawatts of generation capacity throughout North America, producing 20% of U.S. nuclear power and 5% of all U.S. electricity. The company is the largest power retailer in the U.S., serving about 200 terawatt-hours of load.

**Quantitative Scores**

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	96	94	93
Valuation	Overvalued	4	10	7
Quantitative Uncertainty	Medium	99	91	97
Financial Health	Moderate	77	69	77



Source: Morningstar Equity Research

**Valuation**

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	1.08	0.98	0.89	0.83
Price/Earnings	23.1	16.4	14.8	20.1
Forward P/E	15.2	—	13.7	13.9
Price/Cash Flow	5.4	4.7	6.5	13.1
Price/Free Cash Flow	44.1	86.3	13.1	19.5
Trailing Dividend Yield %	2.89	3.55	3.68	2.35
Price/Book	1.5	1.3	1.4	2.4
Price/Sales	1.3	1.1	1.4	2.4

**Profitability**

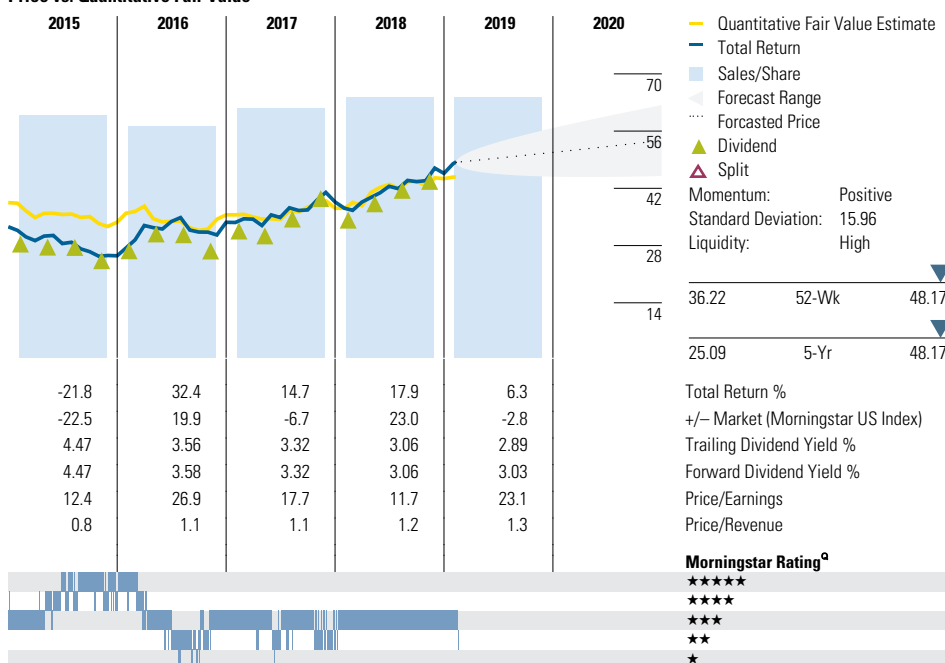
	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	6.6	8.2	9.8	12.9
Return on Assets %	1.7	2.1	3.3	5.2
Revenue/Employee (Mil)	1.1	1.0	1.3	0.3

**Financial Health**

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.7	0.6	0.6	0.5
Solvency Score	557.2	—	584.9	552.4
Assets/Equity	3.9	4.0	2.6	1.7
Long-Term Debt/Equity	1.1	1.1	0.7	0.4

**Growth Per Share**

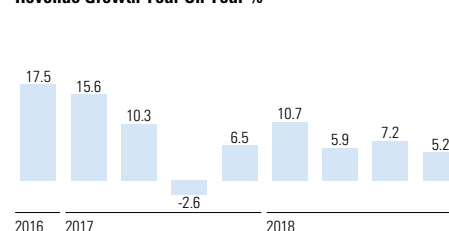
	1-Year	3-Year	5-Year	10-Year
Revenue %	7.2	6.9	7.7	6.7
Operating Income %	-2.6	-4.4	1.1	-3.2
Earnings %	-48.1	-6.6	0.7	-6.6
Dividends %	5.3	3.6	-1.1	-3.8
Book Value %	2.4	4.3	3.7	6.6
Stock Total Return %	32.6	19.2	13.3	1.7

**Price vs. Quantitative Fair Value**

	2014	2015	2016	2017	2018	TTM	Financials (Fiscal Year in Mil)
Revenue	27,429	29,447	31,360	33,531	35,985	35,985	Revenue
% Change	10.2	7.4	6.5	6.9	7.3	0.0	% Change
Operating Income	2,390	4,391	3,160	3,811	3,842	3,842	Operating Income
% Change	-34.4	83.7	-28.0	20.6	0.8	0.0	% Change
Net Income	1,623	2,269	1,134	3,770	2,010	2,010	Net Income
Operating Cash Flow	4,457	7,616	8,445	7,480	8,644	8,644	Operating Cash Flow
Capital Spending	-6,077	-7,624	-8,553	-7,584	-7,594	-7,594	Capital Spending
Free Cash Flow	-1,620	-8	-108	-104	1,050	1,050	Free Cash Flow
% Sales	-5.9	0.0	-0.3	-0.3	2.9	2.9	% Sales
EPS	1.88	2.54	1.22	3.97	2.07	2.07	EPS
% Change	-6.0	35.1	-52.0	225.4	-47.9	0.0	% Change
Free Cash Flow/Share	-0.03	-1.04	0.82	-1.05	0.99	0.99	Free Cash Flow/Share
Dividends/Share	1.24	1.24	1.26	1.31	1.38	1.38	Dividends/Share
Book Value/Share	27.44	28.01	28.17	29.18	32.05	32.08	Book Value/Share
Shares Outstanding (K)	860,000	920,000	924,000	963,000	968,000	969,746	Shares Outstanding (K)
Return on Equity %	7.2	9.4	4.4	13.5	6.6	6.6	Profitability
Return on Assets %	2.0	2.5	1.1	3.3	1.7	1.7	Return on Assets %
Net Margin %	5.9	7.7	3.6	11.2	5.6	5.6	Net Margin %
Asset Turnover	0.33	0.32	0.30	0.29	0.30	0.30	Asset Turnover
Financial Leverage	3.8	3.7	4.4	3.9	3.9	3.9	Financial Leverage
Gross Margin %	21.4	27.3	27.7	27.9	27.7	27.7	Gross Margin %
Operating Margin %	8.7	14.9	10.1	11.4	10.7	10.7	Operating Margin %
Long-Term Debt	20,010	24,286	32,216	32,565	34,465	34,465	Long-Term Debt
Total Equity	22,608	25,793	25,837	29,857	30,764	30,764	Total Equity
Fixed Asset Turns	0.6	0.5	0.5	0.5	0.5	0.5	Fixed Asset Turns

**Quarterly Revenue & EPS**

	Mar	Jun	Sep	Dec	Total
Revenue (Mil)					
2018	9,693.0	8,076.0	9,403.0	8,815.0	35,985.0
2017	8,757.0	7,623.0	8,769.0	8,382.0	33,531.0
2016	7,573.0	6,910.0	9,002.0	7,874.0	31,360.0
2015	8,830.0	6,514.0	7,401.0	6,701.0	29,447.0
Earnings Per Share (I)					
2018	0.60	0.56	0.76	0.15	2.07
2017	1.07	0.09	0.85	1.96	3.97
2016	0.19	0.29	0.53	0.22	1.22
2015	0.80	0.74	0.69	0.32	2.54

**Revenue Growth Year On Year %**

# Research Methodology for Valuing Companies

## Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

## 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats:

intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

## 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

### Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBIT, and the net new investment, or NNI, to derive our annual free cash flow forecast.

### Stage II: Fade

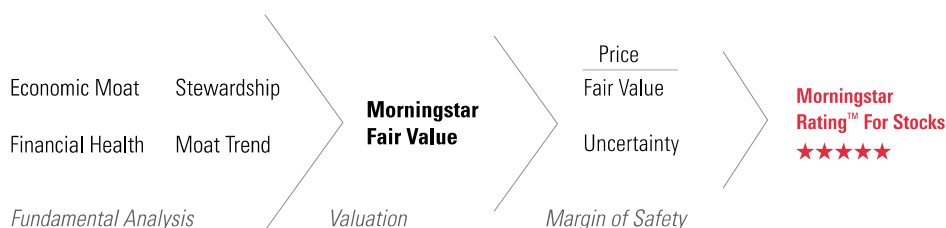
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBIT over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

### Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

## Morningstar Research Methodology for Valuing Companies



## Research Methodology for Valuing Companies

### 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

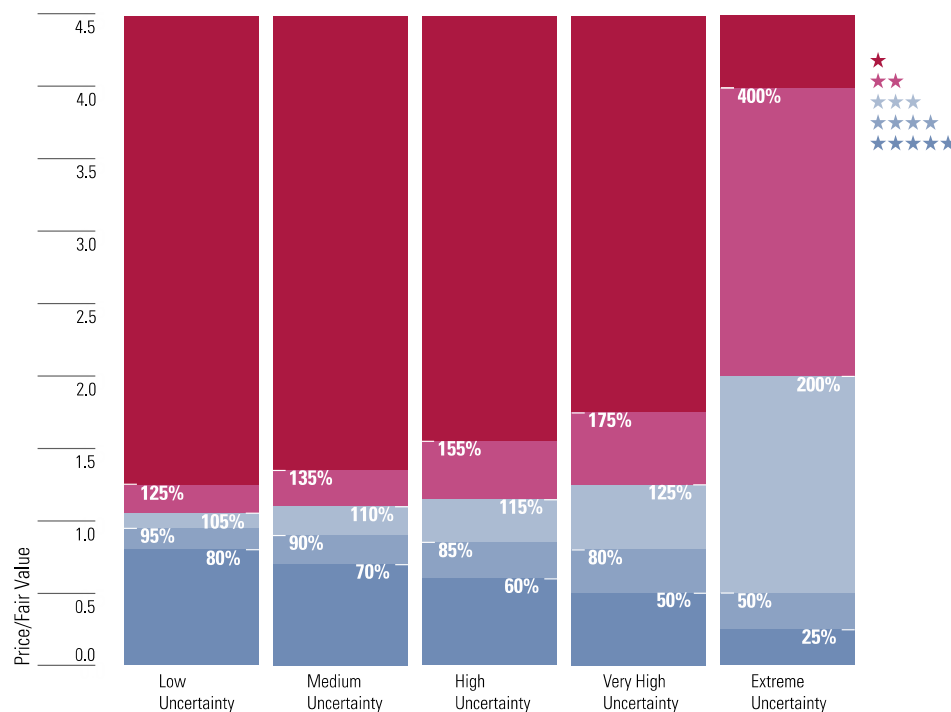
- ▶ Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ▶ Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ▶ High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ▶ Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ▶ Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

### 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>.

### Morningstar Equity Research Star Rating Methodology



### Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

# Research Methodology for Valuing Companies

## Other Definitions

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Stewardship Rating:** Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

## Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

## Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the

quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

## Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:

- (i) Quantitative Fair Value Estimate
  - (ii) Quantitative Star Rating
  - (iii) Quantitative Uncertainty
  - (iv) Quantitative Economic Moat
  - (v) Quantitative Financial Health
- (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

**Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to <https://shareholders.morningstar.com> for information about fair value estimates Morningstar's equity analysts assign to companies.

**Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

**Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair

Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.  
Log (Quant FVE/Price) < -1\*Quantitative Uncertainty

★★: the stock is somewhat overvalued.  
Log (Quant FVE/Price) between (-1\*Quantitative Uncertainty, -0.5\*Quantitative Uncertainty)

★★★: the stock is approximately fairly valued.  
Log (Quant FVE/Price) between (-0.5\*Quantitative Uncertainty, 0.5\*Quantitative Uncertainty)

★★★★: the stock is somewhat undervalued.  
Log (Quant FVE/Price) between (0.5\*Quantitative Uncertainty, 1\*Quantitative Uncertainty)

★★★★★: the stock is undervalued with a reasonable margin of safety. Log (Quant FVE/Price) > 1\*Quantitative Uncertainty

**Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- Low: the interquartile range for possible fair values is less than 10%.
- Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- Extreme: the interquartile range for possible fair values is greater than 80%.

**Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- Weak: assigned when Quantitative Financial Health < 0.2
- Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- Strong: assigned when Quantitative Financial Health > 0.7

## Research Methodology for Valuing Companies

### Other Definitions

**Last Close:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

This Report has not been made available to the issuer of the security prior to publication.

### Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report.

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A change in the fundamental factors underlying the quantitative equity ratings can mean that the valuation is subsequently no longer accurate.

For more information about Morningstar's quantitative methodology, please visit <http://global.morningstar.com/equitydisclosures>.

## Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★	47.92 USD	43.00 USD	1.11	2.89	3.03	46.35	Utilities - Diversified	Standard
12 Feb 2019 22:54, UTC	12 Feb 2019	12 Feb 2019 22:52, UTC		12 Feb 2019	12 Feb 2019	12 Feb 2019		

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Price/Fair Value Morningstar data as of Feb 11, 2019



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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

February 12, 2019

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## The Guggenheim Daily Transmission: D, DUK, PEG, EXC, EIM, Policy

**For Guggenheim's NDR schedule, please scroll down****What's New?****D** – VA Senate Committee votes 10 to 3 to “pass by indefinitely” House Bill 1718**D/DUK** – U.S. Dept of Agriculture, Interior and Justice petitions for “en banc” rehearing**D** – SCANA customers begin to see benefits from merger with D**PEG** – NJ ZEC opposition joined by former PJM chief economist**EXC/PEG/Policy** – API and NGSA file in support of SCOTUS ZEC review**EIM/Policy** – New Mexico draws closer to 100% RPS legislation**Policy** – Trump calls on TVA to “seriously consider all factors” in analysis of coal plant closures

Ticker	Price	Rating
D	72.81	Buy
DUK	90.17	Buy
EXC	47.80	Buy
PEG	55.98	Buy

**D – VA Senate Committee votes 10 to 3 to “pass by indefinitely” House Bill 1718**

- Yesterday the Virginia Senate Committee on Commerce and Labor [voted](#) 10 to 3 to “pass by indefinitely” HB 1718.

**Guggenheim takeaway:** Dominion has been pushing back on the legislation which restricts VEPCO’s ability to pass through costs to customers. We will continue to track the bill as it progresses through the legislature.

**D/DUK – U.S. Dept of Agriculture, Interior and Justice petitions for “en banc” rehearing**

- Federal government is putting its support behind ACP.
- The U.S. Department of Agriculture, Interior and Justice filed a petition asking for an “en banc” review for the U.S. Forest Service permit which allowed ACP to cross the Appalachian Trail.
- As a reminder, a 3-judge panel vacated the permit on Dec 13<sup>th</sup>, 2018.

**Guggenheim takeaway:** Data point, expected. The review would expand the field of judges reviewing the case from the 3-panel that initially invalidated the permit to 15 with more diverse political backgrounds.

**D – SCANA customers begin to see benefits from merger with D**

- On their February bills, SCANA customers will begin to see the benefits from the merger with Dominion.
- SCE&G is implementing lower electric bills in February.

**Guggenheim takeaway:** Data point, for you awareness. We continue to see upside to the initial 10c of accretion for the D/SCG merger. Don’t expect this to flow through until 2020 as a rate case needs to be filed for capex that was pent up during the nuclear cost recovery and merger hearings. SCG has been under-earning its allowed ROE by ~200bps or more.

**PEG – NJ ZEC opposition joined by former PJM chief economist**

- An independent market monitor economist for PJM urged the NJ BPU to hold off on a decision approving ZECs for NJ nuclear plants.
- In a separate filing, the PJM Providers Group, a coalition of power suppliers, urged the NJ BPU to reject the ZECs on the basis of plants lacking necessity. A consultant retained by the group, Paul Sotkiewicz, a former PJM chief economist, projected the plants will make profits between \$377-\$477M every year for the next 10 years.
- NJ BPU decision on ZECs is expected in April.

***Guggenheim takeaway:** While several parties have come out in opposition of the ZECs on various grounds, the financial information for the plants remains confidential to the proceeding. The April decision date is ultimately the test for financial need as the BPU will have fully reviewed and recorded the proceeding by then. We recently hosted Paul Sotkiewicz for a client call, see our takes [here](#).*

**EXC/PEG/Policy – API and NGSa file in support of SCOTUS ZEC review**

- Several trade groups filed briefs in support of EPSA's petition to have the Supreme Court review the lower court's decisions on ZECs, with one expert reportedly telling S&P Global Platts they foresee "less than a 10% chance of certiorari being granted."
- Thoughts from Harvard Law's Ari Peskoe and link to briefs available [HERE](#).

***Guggenheim takeaway:** We continue to monitor, but much of the commentary we have seen points to an uphill battle for EPSA and the other supporting trade groups. Stay tuned.*

**EIM/Policy – New Mexico draws closer to 100% RPS legislation**

- SB 489, the Energy Transition Act, would require a 50% RPS by 2030 and 80% by 2040.
- See more [HERE](#).

***Guggenheim takeaway:** Presented for your awareness, and our view that the proximity to AZ could add impetus to the legislature/ACC's push to boost the state's own goals.*

**Policy – Trump calls on TVA to "seriously consider all factors" in analysis of coal plant closures**

- In [a tweet and subsequent reply](#), the president called on the TVA, a federal agency, to "give consideration to all factors before voting to close a viable power plants."
- The TVA subsequently [announced](#) its intentions to close several units.

***Guggenheim takeaway:** We continue to maintain that in the face of cheap natural gas and state renewable policies, coal will have dwindling role in the nation's energy mix.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 12, 2019

## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Monday, February 11, 2019

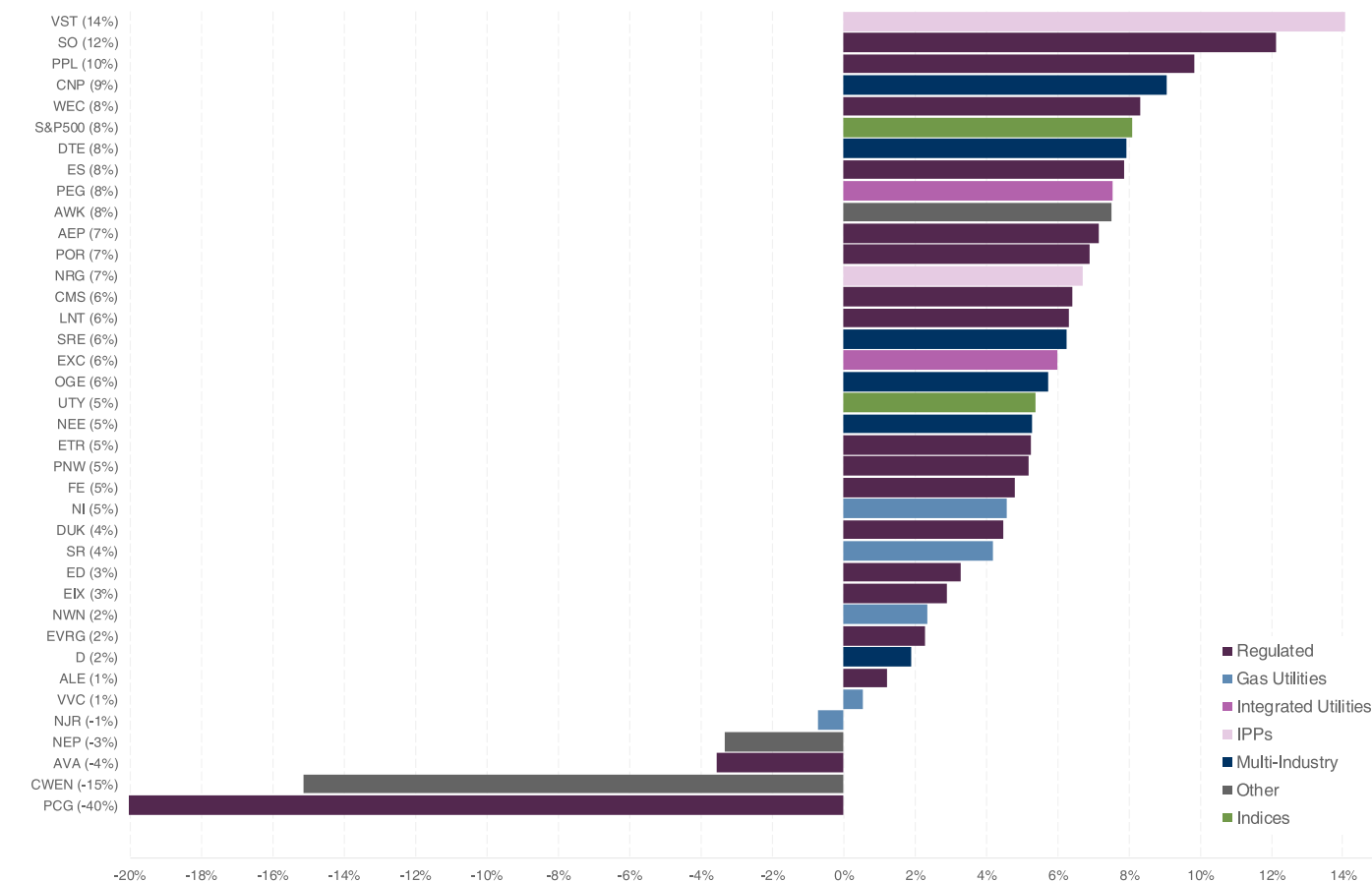
Price as of Close									Guggenheim										Consensus									
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	39.5	Neutral	\$78	\$80.09	3.4%	62%	493	3.95	4.17	4.44	4.71	4.93	20.3	19.2	18.0	17.0	16.2	3.95	4.12	4.38	4.65	5.00	20.3	19.4	18.3	17.2	16.0
ALE	ALLETE	4.0	Neutral	\$74	\$77.15	3.3%	64%	51	3.34	3.71	4.01	4.20	4.46	23.1	20.8	19.3	18.3	17.3	3.35	3.60	3.92	4.07	4.46	23.0	21.4	19.7	19.0	17.3
AVA	Avista*	2.7	Neutral	\$42	\$40.97	4.0%	71%	66	2.05	2.19	2.31	2.38	2.45	20.0	18.7	17.8	17.2	16.7	2.07	2.02	2.83	2.38	2.45	19.8	20.3	14.5	17.2	16.7
CMS	CMS Energy	15.0	Neutral	\$53	\$52.83	3.1%	61%	283	2.33	2.50	2.69	2.88	3.08	22.7	21.1	19.6	18.3	17.2	2.33	2.50	2.68	2.87	3.07	22.7	21.1	19.7	18.4	17.2
DUK	Duke Energy	64.3	Buy	\$94	\$90.17	4.4%	75%	713	4.78	5.00	5.26	5.57	5.91	18.9	18.0	17.1	16.2	15.3	4.75	4.95	5.23	5.54	5.86	19.0	18.2	17.2	16.3	15.4
ED	Consolidated Edison	24.6	Neutral	\$82	\$78.97	3.8%	66%	311	4.25	4.36	4.61	4.79	4.95	18.6	18.1	17.1	16.5	16.0	4.29	4.30	4.53	4.76	4.91	18.4	18.4	17.4	16.6	16.1
EIX	Edison International*	19.0	Buy	\$69	\$58.42	4.7%	55%	326	4.15	4.57	4.93	5.37	5.70	14.1	12.8	11.8	10.9	10.2	4.17	4.50	4.78	5.00	5.30	14.0	13.0	12.2	11.7	11.02
ES	Eversource Energy	22.2	Buy	\$72	\$70.15	3.2%	61%	317	3.27	3.51	3.71	3.94	4.17	21.5	20.0	18.9	17.8	16.8	3.28	3.48	3.70	3.91	4.17	21.4	20.1	18.9	17.9	16.83
ETR	Entergy	16.4	Buy	\$96	\$90.60	4.2%	67%	181	7.02	5.94	5.66	5.92	6.33	12.9	15.3	16.0	15.3	14.3	7.01	5.82	5.73	5.90	5.98	12.9	15.6	15.8	15.3	15.1
EVRG	Evergy	15.3	Buy	\$63	\$58.07	3.6%	64%	263	2.63	2.93	3.27	3.42	3.58	22.1	19.8	17.8	17.0	16.2	2.60	2.95	3.29	3.42	3.58	22.3	19.7	17.6	17.0	16.2
FE	FirstEnergy	20.1	Buy	\$46	\$39.35	4.0%	63%	511	2.56	2.54	2.51	2.65	2.80	15.4	15.5	15.7	14.8	14.1	2.54	2.57	2.52	2.64	2.78	15.5	15.3	15.6	14.9	14.2
LNT	Alliant Energy	10.6	Neutral	\$41	\$44.92	3.3%	63%	236	2.18	2.24	2.37	2.50	2.69	20.6	20.1	19.0	18.0	16.7	2.16	2.26	2.40	2.54	2.69	20.8	19.9	18.7	17.7	16.7
PCG	PG&E Corporation*	7.4	Neutral	NA	\$14.33	0.0%	0%	519	3.84	4.07	4.39	4.57	4.67	3.7	3.5	3.3	3.1	3.1	3.82	4.03	4.24	4.29	4.21	3.7	3.6	3.4	3.3	3.4
PNW	Pinnacle West	10.0	Neutral	\$89	\$89.63	3.5%	63%	112	4.49	4.84	5.04	5.25	5.45	20.0	18.5	17.8	17.1	16.4	4.48	4.85	5.03	5.27	5.42	20.0	18.5	17.8	17.0	16.6
POR	Portland General Electric	4.4	Neutral	\$44	\$49.01	3.3%	63%	89	2.32	2.43	2.54	2.68	2.75	21.1	20.2	19.3	18.3	17.8	2.35	2.45	2.56	2.69	2.75	20.9	20.0	19.2	18.2	17.82
PPL	PPL Corporation	22.4	Neutral	\$29	\$31.12	5.8%	70%	720	2.36	2.44	2.61	2.74	2.85	13.2	12.8	11.9	11.4	10.9	2.36	2.44	2.55	2.59	2.84	13.2	12.8	12.2	12.0	10.98
SO	Southern Company	50.7	Neutral	\$44	\$49.24	5.2%	81%	1029	3.07	3.05	3.15	3.31	3.46	16.0	16.1	15.6	14.9	14.2	3.04	3.02	3.13	3.25	3.45	16.2	16.3	15.7	15.2	14.29
WEC	WEC Energy	23.7	Buy	\$76	\$75.03	3.3%	67%	316	3.32	3.50	3.73	3.98	4.26	22.6	21.4	20.1	18.9	17.6	3.33	3.51	3.74	3.97	4.24	22.5	21.4	20.0	18.9	17.68
*Average (Excl. EIX, PCG, PPL for P/E)						3.7%	62%							19.7	18.9	17.9	17.0	16.2						19.7	19.0	17.8	17.1	16.3
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	9.9	Buy	\$29	\$26.51	3.0%	58%	372	1.28	1.38	1.48	1.58	1.68	20.7	19.2	17.9	16.8	15.8	1.28	1.33	1.43	1.51	1.58	20.7	19.9	18.5	17.6	16.8
NJR	New Jersey Resources	4.0	Sell	\$39	\$45.35	2.6%	60%	89	2.74	1.99	2.19	2.36	2.54	16.6	22.8	20.7	19.2	17.9	2.74	2.10	2.25	2.32	2.54	16.6	21.6	20.1	19.5	17.9
NWN	NW Natural Gas	1.8	Sell	\$49	\$61.88	3.1%	77%	29	2.17	2.44	2.60	2.66	2.71	28.5	25.4	23.8	23.3	22.8	2.22	2.46	2.58	2.64	2.71	27.9	25.1	24.0	23.4	22.8
SR	Spire	3.9	Neutral	\$77	\$77.18	3.1%	65%	51	3.74	3.74	3.89	4.01	4.28	20.6	20.6	19.8	19.2	18.0	3.72	3.73	3.87	3.98	4.30	20.9	20.7	19.9	19.4	17.9
Average						3.1%	66%							21.6	22.0	20.6	19.6	18.6						21.5	21.8	20.6	20.0	18.9
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	46.2	Buy	\$53	\$47.80	3.0%	45%	967	3.12	3.16	3.25	3.17	3.21	15.3	15.1	14.7	15.1	14.9	3.12	3.16	3.19	3.16	3.36	15.3	15.1	15.0	15.1	14.2
PEG	PSEG	28.3	Buy	\$59	\$55.98	3.4%	58%	505	3.13	3.28	3.49	3.60	3.83	17.9	17.1	16.0	15.6	14.6	3.10	3.25	3.55	3.67	3.88	18.0	17.3	15.8	15.3	14.4
Average						3.2%	51%							16.6	16.1	15.4	15.3	14.8						16.7	16.2	15.4	15.2	14.3
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	12.2	Buy	\$51	\$42.25	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	NA	NA	NA	NA	NA	1,775	2,008	1,835	1,840	1,936	9.9	8.6	9.2	9.4	NA
VST	Vistra Energy	13.2	Buy	\$37	\$26.11	1.9%	0%	504	2,800	3,307	3,355	3,402	3,402	8.5	7.3	7.1	6.8	6.6	2,760	3,378	3,350	3,273	3,654	8.4	6.7	6.6	6.1	NA
Average														8.5	7.3	7.1	6.8	6.6						9.2	7.7	7.9	7.8	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.4	Buy	\$33	\$30.79	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.5	17.9	16.9	16.0	15.2	1.58	1.69	1.82	1.94	2.02	19.5	18.2	16.9	15.9	15.2
D	Dominion	58.8	Buy	\$82	\$72.81	5.0%	87%	808	4.04	4.24	4.44	4.68	4.92	18.0	17.2	16.4	15.6	14.8	4.05	4.22	4.42	4.67	4.94	18.0	17.3	16.5	15.6	14.7
DTE	DTE Energy	21.7	Buy	\$129	\$119.04	3.2%	60%	182	6.30	6.26	6.72	7.21	7.63	18.9	19.0	17.7	16.5	15.6	6.30	6.23	6.58	7.03	7.52	18.9	19.1	18.1	16.9	15.8
NEE	NexEra	87.5	Buy	\$205	\$183.01	2.7%	58%	478	7.83	8.63	9.19	9.91	10.52	23.4	21.2	19.9	18.5	17.4	7.70	8.40	9.07	9.75	10.49	23.8	21.8	20.2	18.8	17.4
OGE	OGE Energy	8.3	Neutral	\$41	\$41.44	3.6%	70%	200	2.06	2.14	2.30	2.41	2.51	20.1	19.4	18.0	17.2	16.5	2.07	2.14	2.31	2.41	2.51	20.0	19.4	17.9	17.2	16.5
SRE	Sempra Energy	31.5	Buy	\$133	\$114.95	3.4%	64%	274	5.47	6.13	7.29	7.60	7.96	21.0	18.8	15.8	15.1	14.4	5.47	6.04	7.19	7.55	7.88	21.0	19.0	16.0	15.2	14.6
Average						3.6%	68%							20.2	18.9	17.5	16.5	15.7						20.2	19.1	17.6	16.6	15.7
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	17.6	Neutral	\$96	\$97.60	2.0%	54%	181	3.30	3.61	3.96	4.27	4.60	29.6	27.1	24.6	22.8	0.0	3.30	3.58	3.88	4.24	4.59	29.6	27.3	25.1	23.0	21.3
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.2	Neutral	\$17	\$14.64	9.0%	NA	183	1,039	1,069	1,116	1,159	1,159	8.7	8.6	8.6	8.2	8.6	995	1,059	1,134	1,155	NA	8.4	8.3	8.0	7.6	-
NEP	NexEra Energy Partners	2.3	Buy	\$56	\$41.62	4.9%	NA	56	1,106	1,393	1,560	1,811	1,811	8.9	7.7	7.4	7.1	0.0	881	1,125	1,286	1,496	1,981	11.2				

POWER, UTILITIES & ALTERNATIVE ENERGY

February 12, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 12, 2019

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	POR	4/29-4/30	West Coast
FE	1/22-1/23	Boston/NYC	SRE	5/13-5/15	West Coast
D	2/25-2/26	Boston/NYC	LNT	6/4	Boston
WEC	2/27-2/28	West Coast	DUK	6/6-6/7	Midwest
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/25	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/25-3/26	Boston/NYC			
ALE	4/2-4/4	TBD			

**MORE TO BE ADDED...**

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 12, 2019

## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	PCG	Gas Rate Case	PG&E	CA	A.17-11-009	Scheduled proceeding done, waiting PD
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
TBD	ED	Gas Rate Case	CECONY	NY	19-G-0066	Rate case filed 1/31/19, awaiting scoping memo
TBD	ED	Electric Rate Case	CECONY	NY	19-E-0065	Rate case filed 1/31/19, awaiting scoping memo
TBD	PCG	Electric Rate Case	PG&E	CA	A.18-12-009	Awaiting scoping memo
02/12	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Settlement conference
02/13	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Initial briefs due
02/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Workshop
02/13	PCG	Bankruptcy	PG&E	Federal	19-03003	Hearing: Adversary Proceeding (FERC). 19-03003
02/18	CMS	IRP	Consumers Energy Co.	MI	U-20165	PFD Target Date
02/19	SO	VCM	Georgia Power	GA	VCM19	PSC votes to approve VCM19 spend
02/19	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Rebuttal Testimony
02/20	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Motions for Hearings
02/21	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Decision expected
02/22	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Motions to Strike
02/25	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Responses to motions for hearings
Week of Feb. 25,	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Focused Issue workshop
02/26	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Company rebuttal testimony due
02/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Responses to Motions
02/26	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Pre-hearing conference
02/27	PCG	Bankruptcy	PG&E	Federal	19-03003	Hearing: Preliminary Injunction Motion (FERC). 19-03003
02/28	SO	VCM	Georgia Power	GA	VCM19	Filing of VCM20 report
02/28	D	Limited issue rider	Virginia Electric Power Co	VA	C-PUR-2018-00083 (Rider B)	Decision expected in rider B
02/28	EIX	FERC Formula Rates	SDG&E	FERC	ER18-169-000 and EL18-44 (the "Formula Rate)	Settlement Conferences
03/01	CMS	IRP	Consumers Energy Co.	MI	U-20165	Exceptions
03/04	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Hearing to begin
03/04	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor testimony served
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [CA Policy Speaker Series Recap II: Michael Gatto, Former CA Legislator on Legislative, Regulatory and Bankruptcy Process in California](#)
5. [CA Policy Speaker Series Recap I: Timothy Simon, Former CPUC Commissioner on CA Legislature, CPUC and Potential PCG Bankruptcy Process](#)
6. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
7. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
8. [Guggenheim's 2018 EEI Summary](#)
9. [Guggenheim EEI Takeaways - Day 3](#)
10. [Guggenheim EEI Takeaways - Day 2](#)
11. [Guggenheim EEI Takeaways - Day 1](#)
12. [Guggenheim EEI - Investor Question Bank](#)
13. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
14. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
15. [Coal/Nuclear: Will Politics "Trump" Reality](#)
16. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
17. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
18. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
19. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
20. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
21. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
22. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
23. [Guggenheim EEI Takeaways - Day 1](#)
24. [Guggenheim EEI Takeaways - Day 2](#)
25. [Guggenheim EEI Takeaways - Day 3](#)
26. [Utility and IPP 3Q17 Model Sweep](#)
27. [DOE Texas Tango – Will FERC Dance?](#)
28. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
29. [AGA Conference Highlights and Management Meeting Takeaways](#)
30. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [PCG Exonerated for Tubbs Fire; Reinforces Premature Bankruptcy View](#)
3. [PCG—Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
4. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
5. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
6. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
7. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
8. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
9. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
10. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
14. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
15. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
16. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
17. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
18. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
19. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
20. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
21. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)

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22. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
23. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
24. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
25. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
26. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
27. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
28. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
29. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
30. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
31. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
32. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
33. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
34. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
35. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
36. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
37. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
38. [PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
39. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
40. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
41. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
42. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
43. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
44. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
45. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
46. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)

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## Rating and Price Target History for: Exelon Corporation (EXC) as of 02-11-2019



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Power, Utilities &amp; Alternative Energy

February 11, 2019

**The Guggenheim Daily Transmission: ALE, AVA, EXC, ES, PNW, ETR, NWN, MI, PCG, Mexico, PJM, EXC, AEP****For Guggenheim's NDR schedule, please scroll down****What's New?****ALE: ALLETE Dries Out the Business Mix (see our note [HERE](#))****AVA – Long Road Home – 2019 Now a Trough Year, Full Recovery a 2022 Issue at the Earliest (see our note [HERE](#))****EXC – What's with the Concerns? Better-Than-Expected Utility Growth, Improving Mix Coupled w/ ExGen Upside (see our note [HERE](#))****ES: Orsted Deal Incremental to Plan, Expanding Oppty Depending on Where the Wind Blows but Don't Hold Your Breath (see our note [HERE](#))****PNW – ACC's Kennedy proposes 50% renewable standard, increasing AZ's DER goals****ETR – Arkansas formula rate filing sur-rebuttals filed by ETR, Staff; intervenor petition for rehearing on issue 18 denied****NWN – NW Natural raises concerns with lawmakers over cap and trade proposal****Michigan – New commissioner appointed to MPSC****PCG – San Francisco gas distribution fire under investigation from NTSB for shutoff timing****Mexico – Mexico's president seeks to solve conflicts over energy projects through public consultations****PJM – IPPs lobby PJM Board for certain price formation changes after vote fails****EXC – Montgomery County files to intervene in Pepco rate case****AEP - Files LCOE figures related to 900MW of renewables being sought in Ohio as part of its 2019 Long-Term Forecast Report (2018 LTFR)****PNW – ACC's Kennedy proposes 50% renewable standard, increasing AZ's DER goals**

- In a filing with the ACC, Commissioner Kennedy has proposed boosting the state's RPS (REST) to 50% by 2028, increasing the DER solar carve out and adding an equivalent amount of DER storage.
- The Commissioner has also proposed utilizing Arizona State University to model the impact of additional renewables to aid the ACC's decision making.
- Docket available [HERE](#), filings [HERE](#) and [HERE](#).

**Guggenheim takeaway:** Kennedy quickly planting a policy flag at the ACC. After Prop 127's bruising fight last year we expect the RPS conversation will continue, although it remains to be seen how things will ultimately play out – e.g. legislators making a move or the ACC. As a reminder, Tobin's own proposal (Energy Modernization Plan) remains in the mix as well. With the ACC recently extending the gas plant moratorium (>150MW), 2019 is shaping up to be a key year for policy in AZ.

Ticker	Price	Rating
AEP	80.02	Neutral
ALE	79.30	Neutral
AVA	41.07	Neutral
CMS	52.95	Neutral
DTE	118.56	Buy
ES	70.05	Buy
ETR	90.82	Buy
EXC	47.72	Buy
NWN	61.94	Sell
PCG	14.20	Neutral
PNW	89.38	Neutral
SRE	117.92	Buy
VST	25.93	Buy

**ETR – Arkansas formula rate filing sur-rebuttals filed by ETR, Staff; intervenor petition for rehearing on issue 18 denied**

- ETR reiterated through a sur-rebuttal filing the formula rate plan (FRP) seeks to reach an improved regulatory paradigm while balancing customer safeguards.
- APSC staff reaffirmed the commission's views and requested ruling on issues 2-6 of the FRP.
- The joint petition for rehearing on issue 18 (PSC staff with other intervenors) was denied by the commission.
- See docket here: [16-036-FR](#)

***Guggenheim takeaway:** FRP has been a very strong attribute for ETR in Arkansas. The state has been a key turnaround region for them. Following dockets closely and note that nothing with the sur-rebuttals seem obscure or out of line, in our view.*

**NWN – NW Natural raises concerns with lawmakers over cap and trade proposal**

- NWN is [predicting](#) steep bill increases for residential customers under the state's proposed cap and trade legislation – bills could rise 11% in 2021, the first year of the program, and some 53% by 2040.
- "We want to work with all of you to find a more equitable way to treat natural gas customers" – Kathryn Williams, Director of Government and Community Affairs.
- NWN fact sheet available [HERE](#).

***Guggenheim takeaway:** Zero surprise to us here after the initial draft of the legislation had credits for only low-income residential gas customers. We expect NWN's predictions are a part of the political process, but at the end of the day, using gas will be getting more expensive in OR if cap and trade passes. Stay tuned.*

**Michigan – New commissioner appointed to MPSC**

- Governor Whitmer announced Dan Scripps as the new Commissioner who will take over the remainder of Commissioner Eubanks term (through 2023) effective 2/25.
- Dan Scripps is a former state legislator from Northern Michigan and has 8 years of experience as a clean energy advocate.
- Chairman Talberg will remain chair at this time.

***Guggenheim takeaway:** The appointment restores the full quorum, although 2 commissioners could still perform all functions, having the 3 seats filled will likely help maintain timely regulatory resolutions. Dan Scripps' clean energy experience will no doubt be useful in MPSC work related to clean energy, DR, and EE programs, with both DTE and CMS pursuing such programs. In our view, this could set up for long-term regulatory stability and provide groundwork for future investment.*

**PCG – San Francisco gas distribution fire under investigation from NTSB for shutoff timing**

- Federal officials investigating the San Francisco pipeline explosion and are looking into why PCG took more than two hours to shut off the gas.
- The distribution pipe belongs to PCG, but initial media [reports](#) allege a fiber-optic installer/contractor as the cause.

***Guggenheim takeaway:** Even though the cause of the ignition may not be PCG related, the NTSB investigation still poses a risk to PCG as the company has had prior experience with improper operations and maintenance practices and in particular gas recordkeeping. Gas recordkeeping has been the cause of a multitude of investigations and penalties since the 2010 San Bruno incident uncovered a variety of mismanagement.*

**Mexico – Mexico's president seeks to solve conflicts over energy projects through public consultations**

- Morelos pipeline and Comisión Federal de Electricidad's Huexca combined-cycle power plant are facing local opposition and have caused the projects to be currently shut down.
- Mexico's newly elected president, AMLO, issued a statement saying the conflicts will be resolved through public consultation.
- The detailed plan of public consultation / hearings is still to be proposed.

***Guggenheim takeaway:** The statements made by the Mexican president causes some concern over long-term growth prospects for SRE subsidiary IENova. IENova has an extensive project list, which may become a target of local community activism. If supported by the president, this could present a challenge both politically and financially for IENova.*

**PJM – IPPs lobby PJM Board for certain price formation changes after vote fails**

- Several IPPs have sent letters to the PJM Board imploring it to implement certain changes after last week's stakeholder vote failed to find an agreeable proposal.
- VST, for example, has asked the Board to approve their proposed changes to the ORDC.
- Vistra – <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20190208-vistra-letter-regarding-energy-price-formation.ashx?la=en>
- LS Power – <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20190208-ls-power-letter-regarding-energy-price-formation.ashx?la=en>
- P3 – <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20190208-p3-ex-parte-energy-price-formation.ashx?la=en>
- Consumer Advocates – <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20190208-consumer-advocates-letter-regarding-energy-price-formation.ashx?la=en>

***Guggenheim takeaway:** For your awareness and no surprise to us after last week's vote. We remain on the lookout for details of the Board's upcoming 206 filing.*

**EXC – Montgomery County files to intervene in Pepco rate case**

- [http://webapp.psc.state.md.us/newIntranet/Casenum/CaseAction\\_new.cfm?CaseNumber=9602](http://webapp.psc.state.md.us/newIntranet/Casenum/CaseAction_new.cfm?CaseNumber=9602)

***Guggenheim takeaway:** For your awareness as procedural process takes shape.*

**AEP - Files LCOE figures related to 900MW of renewables being sought in Ohio as part of its 2019 Long-Term Forecast Report (2018 LTFR)**

- AEP filed testimony and [exhibits](#) highlighting that solar PPA prices in the Midwest are ~ \$50/MWh.
- <http://dis.puc.state.oh.us/TiffToPDF/A1001001A19B08B51202D02549.pdf>

***Guggenheim takeaway:** Figures seem consistent with our prior LCOE analysis which we will be updating soon. See [HERE](#) . We expect the AEP Ohio docket for renewables to wrap up shortly and expect a Commission decision by April/May.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 11, 2019

## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Friday, February 08, 2019

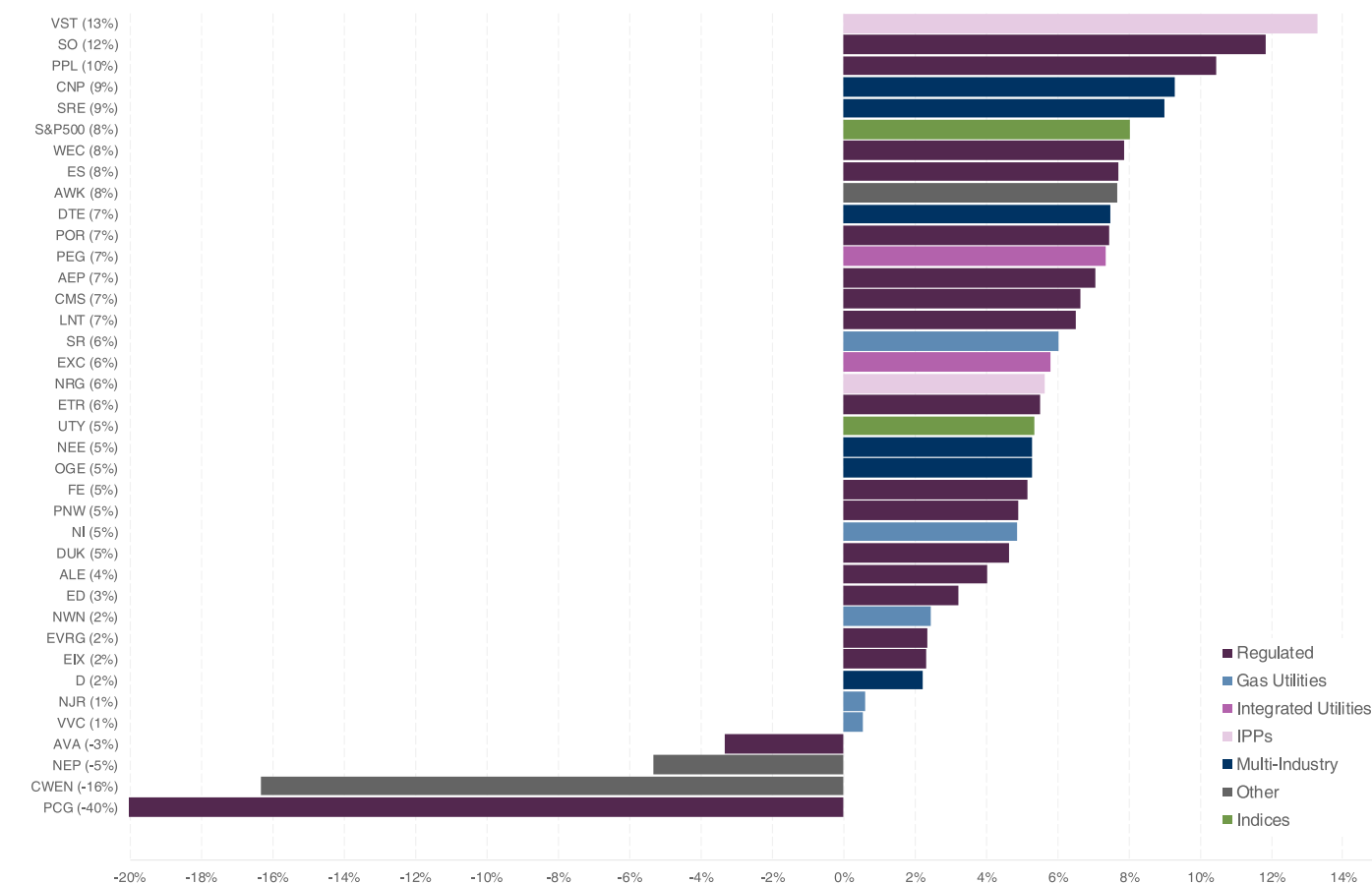
Price as of Close									Guggenheim										Consensus									
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	39.5	Neutral	\$78	\$80.02	3.5%	62%	493	3.95	4.17	4.44	4.71	4.93	20.3	19.2	18.0	17.0	16.2	3.95	4.12	4.38	4.65	5.00	20.3	19.4	18.3	17.2	16.0
ALE	ALLETE	4.0	Neutral	\$74	\$79.30	3.2%	64%	51	3.34	3.71	4.01	4.20	4.46	23.7	21.4	19.8	18.9	17.8	3.37	3.61	3.94	4.16	4.46	23.5	21.9	20.1	19.1	17.8
AVA	Avista*	2.7	Neutral	\$42	\$41.07	4.0%	71%	66	2.05	2.19	2.31	2.38	2.45	20.1	18.8	17.8	17.3	16.8	2.07	2.12	2.28	2.38	2.45	19.8	19.4	18.0	17.3	16.8
CMS	CMS Energy	15.0	Neutral	\$53	\$52.95	3.1%	61%	283	2.33	2.50	2.69	2.88	3.08	22.7	21.2	19.7	18.4	17.2	2.33	2.50	2.68	2.87	3.07	22.7	21.2	19.8	18.5	17.2
DUK	Duke Energy	64.4	Buy	\$94	\$90.30	4.4%	75%	713	4.78	5.00	5.26	5.57	5.91	18.9	18.1	17.2	16.2	15.3	4.75	4.95	5.23	5.54	5.86	19.0	18.2	17.3	16.3	15.4
ED	Consolidated Edison	24.6	Neutral	\$82	\$78.93	3.9%	66%	311	4.25	4.36	4.61	4.79	4.95	18.6	18.1	17.1	16.5	15.9	4.29	4.30	4.53	4.79	4.91	18.4	18.4	17.4	16.5	16.1
EIX	Edison International*	18.8	Buy	\$69	\$58.08	4.7%	55%	326	4.15	4.57	4.93	5.37	5.70	14.0	12.7	11.8	10.8	10.2	4.17	4.50	4.79	5.00	5.30	13.9	12.9	12.1	11.6	10.96
ES	Eversource Energy	22.2	Buy	\$72	\$70.05	3.2%	61%	317	3.27	3.51	3.71	3.94	4.17	21.4	20.0	18.9	17.8	16.8	3.28	3.48	3.70	3.91	4.17	21.4	20.1	18.9	17.9	16.80
ETR	Entergy	16.5	Buy	\$96	\$90.82	4.2%	67%	181	7.02	5.94	5.66	5.92	6.33	12.9	15.3	16.0	15.3	14.3	7.01	5.82	5.73	5.90	5.98	13.0	15.6	15.9	15.4	15.2
EVRG	Evergy	15.2	Buy	\$63	\$58.10	3.6%	64%	263	2.63	2.93	3.27	3.42	3.58	22.1	19.8	17.8	17.0	16.2	2.60	2.95	3.29	3.42	3.58	22.4	19.7	17.7	17.0	16.2
FE	FirstEnergy	20.1	Buy	\$46	\$39.49	4.0%	63%	511	2.56	2.54	2.51	2.65	2.80	15.4	15.5	15.7	14.9	14.1	2.54	2.57	2.52	2.64	2.78	15.5	15.4	15.7	15.0	14.2
LNT	Alliant Energy	10.6	Neutral	\$41	\$45.00	3.3%	63%	236	2.18	2.24	2.37	2.50	2.69	20.6	20.1	19.0	18.0	16.7	2.16	2.26	2.40	2.54	2.69	20.8	19.9	18.8	17.7	16.7
PCG	PG&E Corporation*	7.4	Neutral	NA	\$14.20	0.0%	0%	519	3.84	4.07	4.39	4.57	4.67	3.7	3.5	3.2	3.1	3.0	3.82	4.03	4.24	4.29	4.21	3.7	3.5	3.4	3.3	3.4
PNW	Pinnacle West	10.0	Neutral	\$89	\$89.38	3.5%	63%	112	4.49	4.84	5.04	5.25	5.45	19.9	18.5	17.7	17.0	16.4	4.48	4.85	5.03	5.27	5.42	19.9	18.4	17.8	17.0	16.5
POR	Portland General Electric	4.3	Neutral	\$44	\$49.27	3.3%	63%	89	2.32	2.43	2.54	2.68	2.75	21.2	20.3	19.4	18.4	17.9	2.35	2.45	2.56	2.69	2.75	21.0	20.1	19.3	18.3	17.92
PPL	PPL Corporation	22.5	Neutral	\$29	\$31.29	5.8%	70%	720	2.36	2.44	2.61	2.74	2.85	13.3	12.8	12.0	11.4	11.0	2.36	2.44	2.55	2.59	2.84	13.3	12.8	12.3	12.1	11.04
SO	Southern Company	50.5	Neutral	\$44	\$49.12	5.2%	81%	1029	3.07	3.05	3.15	3.31	3.46	16.0	16.1	15.6	14.8	14.2	3.04	3.02	3.13	3.25	3.45	16.1	16.3	15.7	15.1	14.26
WEC	WEC Energy	23.3	Buy	\$76	\$74.72	3.3%	67%	316	3.32	3.50	3.73	3.98	4.26	22.5	21.3	20.0	18.8	17.5	3.33	3.51	3.74	3.97	4.24	22.4	21.3	20.0	18.8	17.61
*Average (Excl. EIX, PCG, PPL for P/E)						3.7%	62%							19.8	18.9	18.0	17.1	16.2						19.8	19.0	18.0	17.1	16.3
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	9.9	Buy	\$29	\$26.58	3.0%	58%	372	1.28	1.38	1.48	1.58	1.68	20.8	19.3	18.0	16.8	15.8	1.28	1.33	1.43	1.51	1.58	20.8	20.0	18.6	17.6	16.8
NJR	New Jersey Resources	4.1	Sell	\$39	\$45.95	2.6%	60%	89	2.74	1.99	2.19	2.36	2.54	16.8	23.1	21.0	19.5	18.1	2.74	2.10	2.25	2.32	2.54	16.8	21.9	20.4	19.8	18.1
NWN	NW Natural Gas	1.8	Sell	\$49	\$61.94	3.1%	77%	29	2.17	2.44	2.60	2.66	2.71	28.5	25.4	23.8	23.3	22.9	2.22	2.46	2.58	2.64	2.71	27.9	25.2	24.0	23.5	22.9
SR	Spire	4.0	Neutral	\$77	\$78.55	3.1%	65%	51	3.74	3.74	3.89	4.01	4.28	21.0	21.0	20.2	19.6	18.4	3.72	3.73	3.87	3.98	4.30	21.1	21.0	20.3	19.7	18.3
VVC	Vectren*	6.0	Neutral	\$72	\$72.38	2.7%	#VALUE!	83	NA	NA	NA	3.47	3.71	NA	NA	NA	20.9	19.5	2.89	3.09	3.27	3.47	3.71	25.0	23.4	22.1	20.9	19.5
Average (Excl. VVC)						3.1%	66%							21.8	22.2	20.7	19.8	18.8						21.6	22.0	20.8	20.1	19.0
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	46.1	Buy	\$53	\$47.72	3.0%	65%	967	3.12	3.16	3.25	3.17	3.21	15.3	15.1	14.7	15.1	14.9	3.12	3.17	3.20	3.18	3.36	15.3	15.1	14.9	15.0	14.2
PEG	PSEG	28.2	Buy	\$59	\$55.88	3.4%	58%	505	3.13	3.28	3.49	3.60	3.83	17.9	17.0	16.0	15.5	14.6	3.10	3.25	3.55	3.67	3.88	18.0	17.2	15.8	15.2	14.4
Average						3.2%	51%							16.6	16.1	15.3	15.3	14.7						16.6	16.1	15.3	15.1	14.3
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	12.1	Buy	\$51	\$41.83	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	NA	NA	NA	NA	NA	1,775	2,008	1,835	1,840	1,936	9.9	8.6	9.1	9.4	NA
VST	Vistra Energy	13.1	Buy	\$37	\$25.93	1.9%	0%	504	2,800	3,307	3,355	3,402	3,402	8.5	7.3	7.1	6.8	6.6	2,760	3,378	3,350	3,273	3,654	8.4	6.7	6.5	6.1	NA
Average														8.5	7.3	7.1	6.8	6.6						9.1	7.6	7.8	7.7	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.5	Buy	\$33	\$30.85	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.5	17.9	17.0	16.1	15.3	1.58	1.69	1.82	1.94	2.02	19.5	18.3	17.0	15.9	15.3
D	Dominion	59.0	Buy	\$82	\$73.05	5.0%	87%	808	4.04	4.24	4.44	4.68	4.92	18.1	17.2	16.5	15.6	14.8	4.05	4.22	4.42	4.67	4.94	18.0	17.3	16.5	15.6	14.8
DTE	DTE Energy	21.6	Buy	\$129	\$118.56	3.2%	60%	182	6.30	6.26	6.72	7.21	7.63	18.8	18.9	17.6	16.4	15.5	6.30	6.24	6.58	7.05	7.51	18.8	19.0	18.0	16.8	15.8
NEE	NexEra	87.5	Buy	\$205	\$183.01	2.7%	58%	478	7.83	8.63	9.19	9.91	10.52	23.4	21.2	19.9	18.5	17.4	7.70	8.40	9.07	9.75	10.49	23.8	21.8	20.2	18.8	17.4
OGE	OGE Energy	8.2	Neutral	\$41	\$41.26	3.6%	70%	200	2.06	2.14	2.30	2.41	2.51	20.0	19.3	17.9	17.1	16.4	2.07	2.14	2.31	2.41	2.51	19.9	19.3	17.9	17.1	16.4
SRE	Sempra Energy	32.3	Buy	\$133	\$117.92	3.3%	64%	274	5.47	6.13	7.29	7.60	7.96	21.6	19.2	16.2	15.5	14.8	5.47	6.04	7.19	7.55	7.88	21.6	19.5	16.4	15.6	15.0
Average						3.6%	68%							20.2	19.0	17.5	16.5	15.7						20.3	19.2	17.7	16.6	15.8
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	17.7	Neutral	\$96	\$97.74	2.0%	54%	181	3.30	3.61	3.96	4.27	4.60	29.6	27.1	24.7	22.9	0.0	3.30	3.58	3.88	4.24	4.59	29.6	27.3	25.2	23.0	21.3
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	#N/A	Neutral	\$17	\$14.43	9.2%	NA	183	1,039	1,069	1,116	1,159	1															

POWER, UTILITIES & ALTERNATIVE ENERGY

February 11, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 11, 2019

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	ALE	4/2-4/4	TBD
FE	1/22-1/23	Boston/NYC	POR	4/29-4/30	West Coast
D	2/25-2/26	Boston/NYC	LNT	6/4	Boston
WEC	2/27-2/28	West Coast	DUK	6/6-6/7	Midwest
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/25	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/25-3/26	Boston/NYC			

***MORE TO BE ADDED...***

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 11, 2019

## Key Events Calendar

Date	Ticker	Event / Proceeding	Utility	State	Docket	Description
Overdue	EIX	Electric Rate Case	SCE	CA	A.16-09-001	Decision Expected (overdue)
Overdue	PCG	Gas Rate Case	PG&E	CA	A.17-11-009	Scheduled proceeding done, waiting PD
Overdue	SRE	Gas Rate Case	SoCal Gas Co.	CA	A-17-10-008	Awaiting PD (overdue from 2018)
Overdue	SRE	Electric & Gas Rate Case	SDG&E	CA	A-17-10-007	Awaiting PD (overdue from 2018)
TBD	ED	Gas Rate Case	CECONY	NY	19-G-0066	Rate case filed 1/31/19, awaiting scoping memo
TBD	ED	Electric Rate Case	CECONY	NY	19-E-0065	Rate case filed 1/31/19, awaiting scoping memo
TBD	PCG	Electric Rate Case	PG&E	CA	A.18-12-009	Awaiting scoping memo
02/12	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Settlement conference
02/13	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Initial briefs due
02/13	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Workshop
02/13	PCG	Bankruptcy	PG&E	Federal	19-03003	Hearing: Adversary Proceeding (FERC). 19-03003
02/18	CMS	IRP	Consumers Energy Co.	MI	U-20165	PFD Target Date
02/19	SO	VCM	Georgia Power	GA	VCM19	PSC votes to approve VCM19 spend
02/19	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Rebuttal Testimony
02/20	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Motions for Hearings
02/21	FE	Electric Base Rate Case	Potomac Edison	MD	C-9490	Decision expected
02/22	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Motions to Strike
02/25	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Responses to motions for hearings
Week of Feb. 25,	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Focused Issue workshop
02/26	PPL	Electric Rate Case	Kentucky Utilities Co	KY	C-2018-00294	Company rebuttal testimony due
02/26	CMS	DR Proceeding	Consumers Energy Co.	MI	U-20164	Responses to Motions
02/26	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Pre-hearing conference
02/27	PCG	Bankruptcy	PG&E	Federal	19-03003	Hearing: Preliminary Injunction Motion (FERC). 19-03003
02/28	SO	VCM	Georgia Power	GA	VCM19	Filing of VCM20 report
02/28	D	Limited issue rider	Virginia Electric Power Co	VA	C-PUR-2018-00083 (Rider B)	Decision expected in rider B
02/28	EIX	FERC Formula Rates	SDG&E	FERC	ER18-169-000 and EL18-44 (the "Formula Rate)	Settlement Conferences
03/01	CMS	IRP	Consumers Energy Co.	MI	U-20165	Exceptions
03/04	AEP	Electric Rate Case	Public Service of Oklahoma	OK	PUD201800097	Hearing to begin
03/04	EIX	Wildfire Plan	SCE	CA	R.18-10-007	Intervenor testimony served
03/05	DTE	Electric Rate Case	DTE Electric Co.	MI	C-U-20162	ALJ recommendation expected
03/08	NI	Electric Rate Case	NIPSCO	IN	Ca-45159	Company rebuttal due
03/08	EXC	Electric Rate Case	Atlantic City Electric	NJ	D-ER18080925	Briefs due

**More dates to be added...**

Source: Company filings, Guggenheim Securities, LLC.

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [CA Policy Speaker Series Recap II: Michael Gatto, Former CA Legislator on Legislative, Regulatory and Bankruptcy Process in California](#)
5. [CA Policy Speaker Series Recap I: Timothy Simon, Former CPUC Commissioner on CA Legislature, CPUC and Potential PCG Bankruptcy Process](#)
6. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
7. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
8. [Guggenheim's 2018 EEI Summary](#)
9. [Guggenheim EEI Takeaways - Day 3](#)
10. [Guggenheim EEI Takeaways - Day 2](#)
11. [Guggenheim EEI Takeaways - Day 1](#)
12. [Guggenheim EEI - Investor Question Bank](#)
13. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
14. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
15. [Coal/Nuclear: Will Politics "Trump" Reality](#)
16. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
17. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
18. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
19. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
20. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
21. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
22. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
23. [Guggenheim EEI Takeaways - Day 1](#)
24. [Guggenheim EEI Takeaways - Day 2](#)
25. [Guggenheim EEI Takeaways - Day 3](#)
26. [Utility and IPP 3Q17 Model Sweep](#)
27. [DOE Texas Tango – Will FERC Dance?](#)
28. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
29. [AGA Conference Highlights and Management Meeting Takeaways](#)
30. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [PCG Exonerated for Tubbs Fire; Reinforces Premature Bankruptcy View](#)
3. [PCG—Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
4. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
5. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
6. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
7. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
8. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
9. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
10. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
14. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
15. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
16. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
17. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
18. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
19. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
20. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
21. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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22. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
23. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
24. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
25. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
26. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
27. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
28. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
29. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
30. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
31. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
32. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
33. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
34. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
35. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
36. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
37. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
38. [PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
39. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
40. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
41. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
42. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
43. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
44. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
45. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
46. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Today's Research

### ENERGY COMMENTARY

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**Black Hills Corporation (BKH)** | Andrew Weisel

**Valuation Too Rich**

**Exelon Corporation (EXC)** | Andrew Weisel

**Improving Mix**

**Range Resources Corp. (RRC)** | Holly Stewart

**2018 Reserve Update**

**U.S. Utilities and Power** | Andrew Weisel

**4Q18 Earnings Roundup: Week Three**

### SUMMARIES

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**Pertinent Revisions**

**Companies Reporting**

## Research at a Glance

### Black Hills Corporation (BKH \$69.43 – SU)

#### Valuation Too Rich

**QUICK TAKE:** While we're impressed with the strong 4Q18 results, we don't see any reason to increase our above-consensus estimates since much if not all of the beat appears to be one-time in nature, largely driven by weather. We credit management for making strong progress on key regulatory initiatives and for improving disclosures to be more in line with those of other utility peers. Still, we struggle to justify the valuation, in absolute terms (17.7x our 2021 EPS estimate) or on a relative basis (5% P/E premium vs. our utility coverage, or 7% using consensus forecasts). Thus we reiterate our Sector Underperform rating. Please see our recent downgrade report from December [here](#). BKH reported a strong 4Q18 beat of \$1.05/sh, well ahead of us/consensus at \$0.94/\$0.92, but reiterated guidance for 2019 and 2020.

Rating	SU
1-Yr. Target	\$62.00
Adj EPS19E	\$3.45
Adj EPS20E	\$3.69
Div. (NTM)	\$2.05
Yield (Curr.)	2.9%
Valuation: 15.75x our 2021 EPS estimate	

#### Link to Full Report

Andrew Weisel | Analyst | 212-225-5266 | [andrew.weisel@howardweil.com](mailto:andrew.weisel@howardweil.com)

### Exelon Corporation (EXC \$48.13 – SO)

#### Improving Mix

**QUICK TAKE:** We remain bullish on EXC, which is our preferred stock for utility investors seeking beta. Management continues to find success in improving utility ROEs, while also raising utility capex and the LT earnings outlook. Simultaneously, while the earnings outlook at ExGen has modestly weakened, FCF generation looks strong to us. Combined, we see the overall company's earnings mix and credit risk profile improving even more rapidly than we - or management - had previously expected. While the ~14% consolidated P/E discount vs. our utility coverage isn't surprising directionally given the merchant power exposure, we see it as overdone, as we see upside to the valuation on a SOTP basis; we have increased our TP to \$50 (from \$48) given higher utility earnings and a slightly higher multiple given the improved mix/balance sheet. EXC reported 4Q18 EPS of \$0.58, slightly ahead of us/consensus of \$0.56/\$0.57, and introduced 2019 EPS guidance of \$3.00-\$3.30, essentially framing our/consensus forecasts of \$3.14/\$3.17.

	New	Old
Rating	SO	-
1-Yr. Target	\$50.00	\$48.00
Adj EPS19E	\$3.14	-
Adj EPS20E	\$3.19	-
Div. (NTM)	\$1.45	\$1.43
Div. (Curr.)	\$1.38	-
Yield (Curr.)	2.9%	-

**New Valuation:** SoTP, using ~75% regulated utilities (16.9x 2021E EPS) and ~25% merchant power (7.75x 2021E EBITDA)

**Old Valuation:** SoTP, using ~70% regulated utilities (16.5x 2021E EPS) and ~30% merchant power (7.75x 2021E EBITDA)

#### Link to Full Report

Andrew Weisel | Analyst | 212-225-5266 | [andrew.weisel@howardweil.com](mailto:andrew.weisel@howardweil.com)

### Range Resources Corp. (RRC \$9.44 – SO)

#### 2018 Reserve Update

**Quick Take:** Another strong year of proved reserve growth at 18% compared to 3-year average of 15% on less development capital than prior year. Drill-bit finding costs were also an impressive \$0.22/mcfe, well below last year and below the 3-year average of ~\$0.45/mcfe. We should see the shares outperform on the news.

Rating	SO
1-Yr. Target	\$17.00
EBITDA (M)18E	\$1,256
EBITDA (M)19E	\$1,183
EBITDA (M)20E	\$1,241
Div. (NTM)	\$0.08
Div. (Curr.)	\$0.08
Yield (Curr.)	0.8%
Valuation: Sum-of-the-Parts approach to NAV, less debt	

#### Link to Full Report

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## U.S. Utilities and Power

### 4Q18 Earnings Roundup: Week Three

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**QUICK TAKE:** We provide a recap of last week's earnings for companies under our coverage. **BKH**'s weather-driven beat certainly drove the most favorable reaction, though we continue to prefer **DTE** and **EXC**. Interestingly, none of the companies' outlooks changed in a meaningful way, in our view.

[Link to Full Report](#)

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## Pertinent Revision Summary

### Target Changes

	New	Old
Exelon Corporation (EXC)	↑ \$50.00	\$48.00

### Pertinent Revisions by Company

#### Exelon Corporation (EXC)

	New	Old
1-Yr. Target	\$50.00	\$48.00
Valuation	SoTP, using ~75% regulated utilities (16.9x 2021E EPS) and ~25% merchant power (7.75x 2021E EBITDA)	SoTP, using ~70% regulated utilities (16.5x 2021E EPS) and ~30% merchant power (7.75x 2021E EBITDA)

## Companies Reporting

Note: All times in Eastern Time

### Antero Midstream Partners LP (AM)

<b>Reporting Date</b>	13-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 14-FEB-19, 12:00 PM
<b>Dial-in</b>	888-347-8204, Password: Antero Midstream
<b>EBITDA (M)</b>	Est. for Qtr: \$181   Last Year's Qtr: \$142   Most Recent Qtr: \$186

### Antero Resources Corporation (AR)

<b>Reporting Date</b>	13-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 14-FEB-19, 11:00 AM
<b>Dial-in</b>	888-347-8204, Password: Antero Resources
<b>EBITDA (M)</b>	Est. for Qtr: \$573   Last Year's Qtr: \$433   Most Recent Qtr: \$497

### Apache Corporation (APA)

<b>Reporting Date</b>	27-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 28-FEB-19, 11:00 AM
<b>EPS</b>	Est. for Qtr: \$0.39   Last Year's Qtr: \$0.33   Most Recent Qtr: \$0.63

### Black Stone Minerals, LP (BSM)

<b>Reporting Date</b>	25-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 26-FEB-19, 10:00 AM
<b>Dial-in</b>	877-447-4732, Password: 2697118
<b>Distributable CF (M)</b>	Est. for Qtr: \$102   Last Year's Qtr: \$69   Most Recent Qtr: \$101

### Cabot Oil & Gas Corporation (COG)

<b>Reporting Date</b>	22-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 22-FEB-19, 9:30 AM
<b>EBITDA (M)</b>	Est. for Qtr: \$493   Last Year's Qtr: \$255   Most Recent Qtr: \$282

### Callon Petroleum Company (CPE)

<b>Reporting Date</b>	26-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 27-FEB-19, 9:00 AM
<b>Dial-in</b>	888-317-6003, Password: 6127927
<b>EBITDA (M)</b>	Est. for Qtr: \$118   Last Year's Qtr: \$62   Most Recent Qtr: \$103

### Carrizo Oil & Gas, Inc. (CRZO)

<b>Reporting Date</b>	25-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 26-FEB-19, 11:00 AM
<b>Dial-in</b>	(800) 698-0460, Password: N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$194   Last Year's Qtr: \$133   Most Recent Qtr: \$179

### Centennial Resource Development, Inc. (CDEV)

<b>Reporting Date</b>	25-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 26-FEB-19, 10:00 AM
<b>Dial-in</b>	(800) 789-3525, Password: 6886106
<b>EBITDA (M)</b>	Est. for Qtr: \$196   Last Year's Qtr: \$74   Most Recent Qtr: \$165



## MORNING ENERGY COMMENTARY

Monday, February 11, 2019

**Cheniere Energy, Inc. (LNG)**

**Reporting Date** 26-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 26-FEB-19, 10:00 AM  
**EBITDA (M)** Est. for Qtr: \$554 | Last Year's Qtr: \$523 | Most Recent Qtr: \$569

**Cheniere Energy Partners, LP (CQP)**

**Reporting Date** 22-FEB-19  
**Event** Q4 2018 Earnings Release (Projected)  
**Call Details** N/A  
**EBITDA (M)** Est. for Qtr: \$631 | Last Year's Qtr: \$612 | Most Recent Qtr: \$604

**Chesapeake Energy Corporation (CHK)**

**Reporting Date** 27-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 27-FEB-19, 9:00 AM  
**Dial-in** 877-260-1479, Password: 1327759  
**EPS** Est. for Qtr: \$0.17 | Last Year's Qtr: \$0.30 | Most Recent Qtr: \$0.19

**Cimarex Energy Co. (XEC)**

**Reporting Date** 20-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 21-FEB-19, 11:00 AM  
**Dial-in** 866-367-3053, Password: N/A  
**EBITDA (M)** Est. for Qtr: \$421 | Last Year's Qtr: \$357 | Most Recent Qtr: \$355

**Concho Resources Inc. (CXO)**

**Reporting Date** 19-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 20-FEB-19, 9:00 AM  
**Dial-in** (844) 263-8298, Password: 5077474  
**EBITDA (M)** Est. for Qtr: \$815 | Last Year's Qtr: \$513 | Most Recent Qtr: \$829

**Continental Resources, Inc. (CLR)**

**Reporting Date** 18-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 19-FEB-19, 12:00 PM  
**Dial-in** 844-309-6572, Password: 5856777  
**EBITDA (M)** Est. for Qtr: \$922 | Last Year's Qtr: \$838 | Most Recent Qtr: \$1,000

**Devon Energy Corporation (DVN)**

**Reporting Date** 19-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 20-FEB-19, 11:00 AM  
**Dial-in** (866) 393-4306, Password: 8875717  
**EPS** Est. for Qtr: \$0.37 | Last Year's Qtr: \$0.38 | Most Recent Qtr: \$0.65

**Diamondback Energy Inc. (FANG)**

**Reporting Date** 19-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 20-FEB-19, 10:00 AM  
**Dial-in** (877) 440-7573, Password: 8970687  
**EBITDA (M)** Est. for Qtr: \$372 | Last Year's Qtr: \$245 | Most Recent Qtr: \$370

**Duke Energy Corporation (DUK)**

**Reporting Date** 14-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 14-FEB-19, 10:00 AM  
**Dial-in** 888-254-3590, Password: 9977760  
**Adj EPS** Est. for Qtr: \$0.89 | Last Year's Qtr: \$0.94 | Most Recent Qtr: \$1.65

**Eclipse Resources Corporation (ECR)**

<b>Reporting Date</b>	27-FEB-19
<b>Event</b>	Q4 2018 Earnings Release (Projected)
<b>Call Details</b>	N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$79   Last Year's Qtr: \$53   Most Recent Qtr: \$67

**EOG Resources, Inc. (EOG)**

<b>Reporting Date</b>	26-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 27-FEB-19, 10:00 AM
<b>EPS</b>	Est. for Qtr: \$1.38   Last Year's Qtr: \$0.69   Most Recent Qtr: \$1.75

**EQM Midstream Partners, LP (EQM)**

<b>Reporting Date</b>	14-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 14-FEB-19, 11:00 AM
<b>Dial-in</b>	(866) 393-4306, Password: 7984534
<b>EBITDA (M)</b>	Est. for Qtr: \$324   Last Year's Qtr: \$185   Most Recent Qtr: \$280

**EQT Corporation (EQT)**

<b>Reporting Date</b>	14-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 14-FEB-19, 10:30 AM
<b>Dial-in</b>	877-269-7756, Password: 13674487
<b>EBITDA (M)</b>	Est. for Qtr: \$1,041   Last Year's Qtr: \$708   Most Recent Qtr: \$830

**Golar LNG Partners LP (GMLP)**

<b>Reporting Date</b>	26-FEB-19
<b>Event</b>	Q4 2018 Earnings Release (Projected)
<b>Call Details</b>	N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$64   Last Year's Qtr: \$67   Most Recent Qtr: \$87

**Gulfport Energy Corporation (GPOR)**

<b>Reporting Date</b>	27-FEB-19
<b>Event</b>	Q4 2018 Earnings Release (Projected)
<b>Call Details</b>	N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$250   Last Year's Qtr: \$224   Most Recent Qtr: \$239

**HighPoint Resources Corp. (HPR)**

<b>Reporting Date</b>	21-FEB-19
<b>Event</b>	Q4 2018 Earnings Release (Projected)
<b>Call Details</b>	N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$73   Last Year's Qtr: \$48   Most Recent Qtr: \$63

**Jagged Peak Energy Inc. (JAG)**

<b>Reporting Date</b>	28-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 1-MAR-19, 11:00 AM
<b>Dial-in</b>	877-823-8605, Password: 8268275
<b>EBITDA (M)</b>	Est. for Qtr: \$108   Last Year's Qtr: \$57   Most Recent Qtr: \$119

**Kosmos Energy Ltd. (KOS)**

<b>Reporting Date</b>	25-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$275   Last Year's Qtr: \$136   Most Recent Qtr: \$208



## MORNING ENERGY COMMENTARY

Monday, February 11, 2019

**Laredo Petroleum, Inc. (LPI)**

**Reporting Date** 13-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 14-FEB-19, 8:30 AM  
**Dial-in** 877.930.8286, Password: 9775779  
**EBITDA (M)** Est. for Qtr: \$161 | Last Year's Qtr: \$131 | Most Recent Qtr: \$152

**Marathon Oil Corporation (MRO)**

**Reporting Date** 13-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 14-FEB-19, 9:00 AM  
**Dial-in** (888) 771-4371, Password: 47709957  
**EPS** Est. for Qtr: \$0.18 | Last Year's Qtr: \$0.07 | Most Recent Qtr: \$0.24

**Matador Resources Company (MTDR)**

**Reporting Date** 26-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 27-FEB-19, 10:00 AM  
**Dial-in** (855) 875-8781, Password: 1968178  
**EBITDA (M)** Est. for Qtr: \$138 | Last Year's Qtr: \$85 | Most Recent Qtr: \$137

**Noble Energy, Inc. (NBL)**

**Reporting Date** 19-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 19-FEB-19, 9:00 AM  
**Dial-in** 877-883-0383, Password: 4106820  
**EPS** Est. for Qtr: \$0.18 | Last Year's Qtr: \$0.32 | Most Recent Qtr: \$0.27

**Occidental Petroleum Corporation (OXY)**

**Reporting Date** 12-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 13-FEB-19, 12:00 PM  
**Dial-in** 866-871-6512, Password: N/A  
**EPS** Est. for Qtr: \$1.15 | Last Year's Qtr: \$0.41 | Most Recent Qtr: \$1.78

**Parsley Energy Inc. (PE)**

**Reporting Date** 21-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 22-FEB-19, 9:00 AM  
**Dial-in** 877-709-8150, Password: N/A  
**EBITDA (M)** Est. for Qtr: \$357 | Last Year's Qtr: \$165 | Most Recent Qtr: \$340

**PDC Energy, Inc. (PDCE)**

**Reporting Date** 27-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 28-FEB-19, 11:00 AM  
**Dial-in** 877-312-5520, Password: 6887989  
**EBITDA (M)** Est. for Qtr: \$246 | Last Year's Qtr: \$167 | Most Recent Qtr: \$214

**Pioneer Natural Resources Company (PXD)**

**Reporting Date** 13-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 14-FEB-19, 10:00 AM  
**Dial-in** (888) 204-4368, Password: 1773129  
**EBITDA (M)** Est. for Qtr: \$742 | Last Year's Qtr: \$804 | Most Recent Qtr: \$943

**Public Service Enterprise Group Incorporated (PEG)**

**Reporting Date** 27-FEB-19  
**Event** Q4 2018 Earnings Release  
**Call Details** Q4 2018 Earnings Call, 27-FEB-19, 11:00 AM  
**Adj EPS** Est. for Qtr: \$0.56 | Last Year's Qtr: \$0.57 | Most Recent Qtr: \$0.95



## MORNING ENERGY COMMENTARY

Monday, February 11, 2019

**QEP Resources, Inc. (QEP)**


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<b>Reporting Date</b>	20-FEB-19
<b>Event</b>	Q4 2018 Earnings Release (Projected)
<b>Call Details</b>	N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$268   Last Year's Qtr: \$193   Most Recent Qtr: \$283

**Range Resources Corp. (RRC)**


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<b>Reporting Date</b>	25-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 26-FEB-19, 9:00 AM
<b>Dial-in</b>	866-900-7525, Password: 6972159
<b>EBITDA (M)</b>	Est. for Qtr: \$279   Last Year's Qtr: \$309   Most Recent Qtr: \$313

**SM Energy Company (SM)**


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<b>Reporting Date</b>	20-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 21-FEB-19, 10:00 AM
<b>Dial-in</b>	844-343-4183, Password: 2633668
<b>EBITDA (M)</b>	Est. for Qtr: \$242   Last Year's Qtr: \$164   Most Recent Qtr: \$225

**Southwestern Energy Company (SWN)**


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<b>Reporting Date</b>	28-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 1-MAR-19, 10:30 AM
<b>Dial-in</b>	877-883-0383, Password: 9372440
<b>EBITDA (M)</b>	Est. for Qtr: \$417   Last Year's Qtr: \$319   Most Recent Qtr: \$376

**Whiting Petroleum Corporation (WLL)**


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<b>Reporting Date</b>	26-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 27-FEB-19, 11:00 AM
<b>Dial-in</b>	(877) 328-5506, Password: N/A
<b>EBITDA (M)</b>	Est. for Qtr: \$335   Last Year's Qtr: \$186   Most Recent Qtr: \$312

**WPX Energy, Inc. (WPX)**


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<b>Reporting Date</b>	21-FEB-19
<b>Event</b>	Q4 2018 Earnings Release
<b>Call Details</b>	Q4 2018 Earnings Call, 21-FEB-19, 10:00 AM
<b>Dial-in</b>	(833) 832-5123, Password: 5488588
<b>EBITDA (M)</b>	Est. for Qtr: \$306   Last Year's Qtr: \$188   Most Recent Qtr: \$287

Source: FactSet; Scotia Howard Weil estimates.

**Pertinent Data**

**Black Hills Corporation (BKH)**

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Valuation:

15.75x our 2021 EPS estimate

Key Risks:

Strained regulatory relationships in Colorado, multiple rate case filings per year, potential for M&A, and rising interest rates

**DTE Energy Company (DTE)**

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Valuation:

17.7x our 2021 EPS estimate

Key Risks:

Rate cases for utilities, NEXUS and overall growth of midstream earnings, replacing earnings and cash flow when REF tax credits expire, and rising interest rates

**Exelon Corporation (EXC)**

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Valuation:

SoTP, using ~75% regulated utilities (16.9x 2021E EPS) and ~25% merchant power (7.75x 2021E EBITDA)

Key Risks:

Rate cases in challenging jurisdictions, operational and financial performance at PHI, impact of market reforms on ExGen, commodity exposure, and rising interest rates

**Range Resources Corp. (RRC)**

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Valuation:

Sum-of-the-Parts approach to NAV, less debt

Key Risks:

Commodity prices, midstream availability, project timing

**Appendix A: Important Disclosures**

<b>Company</b>	<b>Disclosures (see legend below)*</b>
Apache Corporation	G, I, N1, U
Black Hills Corporation	G, I, N1, U
Cabot Oil & Gas Corporation	I, U, V0131
Callon Petroleum Company	G, I, N1, U, V0136
Carrizo Oil & Gas, Inc.	I
Cimarex Energy Co.	I, V0136
Devon Energy Corporation	N1
Diamondback Energy Inc.	G, N1, U
DTE Energy Company	G, I, N1, U
Duke Energy Corporation	G, I, N1, U
EQM Midstream Partners, LP	G, N1, U
Exelon Corporation	VS0547
Halcon Resources Corporation	I, J, U, VS0516, VS0517
HighPoint Resources Corp.	I
Marathon Oil Corporation	J
Matador Resources Company	G, I, J, N1, U
Newfield Exploration Company	O1, U, V0103
Occidental Petroleum Corporation	G, N1, U
Public Service Enterprise Group Incorporated	G, I, N1, U
SM Energy Company	G, I, N1, U
W&T Offshore, Inc.	V0044
Western Gas Partners, LP	G, I, N1, U
Williams Companies, Inc.	HH, J
WPX Energy, Inc.	G, I, N1, U

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New Orleans, Louisiana 70163

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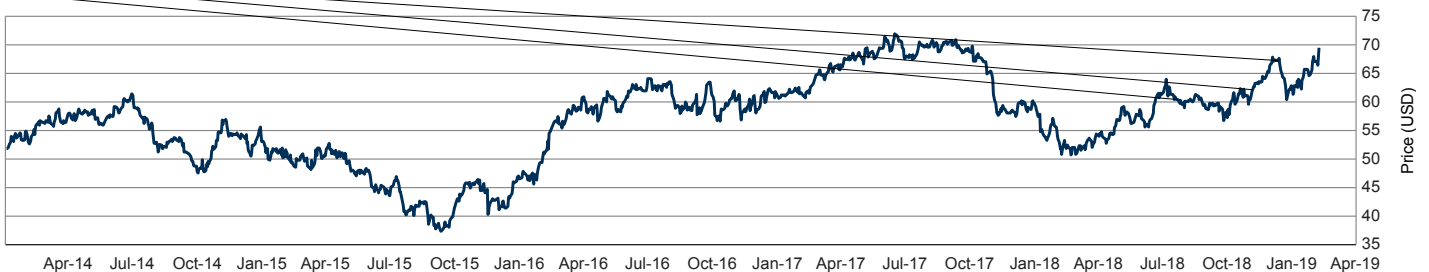
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- 
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- VS0547** Research Analyst Andrew Weisel visited an operating nuclear power plant in Illinois, USA, in 2011. No payment was received from the issuer for the travel-related expenses incurred by the Research Analyst to visit this site.

## Rating and Price Target History

## Black Hills Corporation (BKH) as of February 08, 2019 (in USD)

07-23-2018 Price: 60.39 Rating: SP Target: 58.00	11-06-2018 Price: 62.10 Rating: SP Target: 59.00	12-12-2018 Price: 67.21 Rating: SU Target: 62.00
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\*Represents the value(s) that changed.

Ratings Legend: FS=Focus Stock; SO=Sector Outperform; SP=Sector Perform; SU=Sector Underperform; T=Tender; UR=Under Review; CS=Coverage Suspended; DC=Discontinued Coverage

Source: Scotiabank GBM estimates/Scotia Howard Weil estimates; FactSet.

## DTE Energy Company (DTE) as of February 08, 2019 (in USD)

07-23-2018 Price: 106.43 Rating: SO Target: 115.00	07-25-2018 Price: 108.30 Rating: SO Target: 117.00	12-12-2018 Price: 118.74 Rating: SO Target: 126.00
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\*Represents the value(s) that changed.

Ratings Legend: FS=Focus Stock; SO=Sector Outperform; SP=Sector Perform; SU=Sector Underperform; T=Tender; UR=Under Review; CS=Coverage Suspended; DC=Discontinued Coverage

Source: Scotiabank GBM estimates/Scotia Howard Weil estimates; FactSet.

## Exelon Corporation (EXC) as of February 08, 2019 (in USD)

11-16-2015 Price: 28.65 Rating: SP Target: 34.00	08-17-2016 Price: 34.58 Rating: SP Target: 37.00	08-03-2017 Price: 38.44 Rating: SP Target: 40.00	08-24-2017 Price: 38.34 Rating: CS Target: NA	07-23-2018 Price: 41.61 Rating: SO Target: 47.00	12-12-2018 Price: 46.89 Rating: SO Target: 48.00	02-08-2019 Price: 47.72 Rating: SO Target: 50.00
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\*Represents the value(s) that changed.

Ratings Legend: FS=Focus Stock; SO=Sector Outperform; SP=Sector Perform; SU=Sector Underperform; T=Tender; UR=Under Review; CS=Coverage Suspended; DC=Discontinued Coverage

Source: Scotiabank GBM estimates/Scotia Howard Weil estimates; FactSet.

**Range Resources Corp. (RRC) as of February 08, 2019 (in USD)**

\*Represents the value(s) that changed.

Ratings Legend: FS=Focus Stock; SO=Sector Outperform; SP=Sector Perform; SU=Sector Underperform; T=Tender; UR=Under Review; CS=Coverage Suspended; DC=Discontinued Coverage

Source: Scotiabank GBM estimates/Scotia Howard Weil estimates; FactSet.

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#### Sector Perform (SP)

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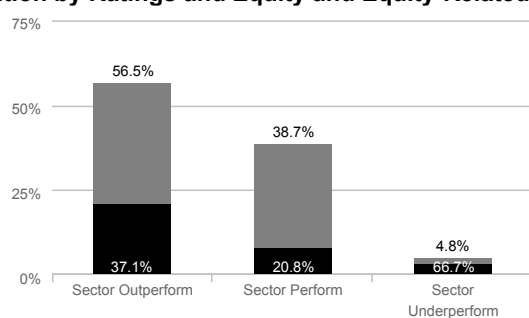
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Source: Scotia Howard Weil.

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# EVERCORE ISI

Energy | Power & Utilities

February 11, 2019

## EXELON CORP.

EXC | \$47.72

**Outperform | TARGET PRICE: \$50.50**

**Earnings Report**

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### Company Statistics

Market Capitalization (M)	\$46,146
Shares Outstanding (M)	967
Dividend	1.45
Dividend Yield	3.0%
Payout Ratio	46.0%
Expected Total Return	8.9%
Fiscal Year End	Dec

### Earnings Summary

	2019E	2020E	2021E
EPS	\$3.15	\$3.15	\$3.15
P/E	15.2	15.2	15.2
EPS vs Consensus	(0.8)%	(1.7)%	(0.9)%
Consensus EPS	\$3.17	\$3.20	\$3.17
Consensus P/E	15.0	14.9	15.0

### 1 Year Price History



Source: FactSet

## Utility Outlook Keeps Improving, ExGen Generates Lots of Cash & Has Upsides

**Rating Outperform, 12-Month Target Price is now \$50.50/share, up from \$45. Base case with no upsides is \$49.50. Capacity and Power price upsides could drive value into the low \$50s.**

We are raising our 12-month target price to \$50.50, which is a ~9% total return profile from current levels. Our '19-'21 EPS forecast is \$3.15/\$3.15/\$3.15 vs. our prior '19/'20 forecast of \$3.20/\$3.20. Exelon reported FY '18 EPS of \$3.12 on Friday and gave EPS guidance for '19 that met expectations. They also gave a very constructive update on capex, rate base and earnings growth for their utilities through '22 and rolled guidance forward for ExGen to '21, with an update on O&M costs, capex, and expected cash flow. While costs are up a bit at ExGen and the '21 outlook for gross margin is backwarddated, the business still generates a lot of cash flow which is used to avoid needing equity issuance to fund utility investments, 5% dividend growth through at least 2020E, and \$2.5B of debt paydown. Potential upside from PJM capacity / energy price reform could further bolster EPS, cash flow and value above this base case. That base case supports a value of \$49.50, to which we are adding \$1 to get to our \$50.50 12-month target price, which incorporates the possibility of those upsides becoming visible over the next 12 months. More details on our thesis are in the body of this note.

**Utility - Parent EPS guidance at midpoint is now \$1.90/ \$2.00 / \$2.10/ \$2.30 in '19-'22 time period, a nickel higher than prior guidance.** Our Utility and Parent EPS forecast for '19-'21 is \$1.92/ \$2.05/ \$2.18. Earnings guidance for '22 looks especially strong with EPS expected to grow 9.5% over 2021. Given that our forecast runs through '21, we capture that robust back-ended utility growth by applying ~a 3% premium to our anchor multiple of 17.0x on our '21 EPS estimate (see body of the note for valuation details). The 4-year capital program supporting this growth aspiration is \$23B for the '19-'22 period vs. \$21B for '18-'21. That grows rate base at 7.8% CAGR '19-'22 vs. 7.4% for '18-'21. Management reiterated a LT utility growth rate expectation of 6-8%.

**At ExGen, the guidance drivers point to a challenging '20-'21 comparison based on the current pricing environment.** Our ExGen EBITDA forecast is ~\$3.0B, ~\$2.9B, and \$2.7B and EPS forecast is \$1.24/ \$1.10/ \$0.96 for the '19-'21 period. Total gross margin for '19 is forecasted flat, +\$50m in '20, and then falls \$250m in new outlook for '21, primarily due to backwarddated forward curves. There isn't liquidity out that far and pricing should improve as we move to spot. O&M costs are up \$75m due to higher pension expense and the acquisition of Everett LNG, which is a \$0.05 headwind. The O&M drag from Everett is optically negative but the asset supports an accretive power contract that starts in mid-22, and net of a \$75m gain EXC took on Q'4, we see it as NPV-neutral until then.

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**Cash flow profile at ExGen is a differentiating value driver.** The net income/EPS forecast for both the utilities and ExGen is supported by the fact that ExGen should generate \$7.8B of cash through '22. This cash flow supports the utility investments with no equity issuance, the dividend growing at 5% and \$2.5B of debt paydown. We model \$1.5B of debt reduction at ExGen and \$1.0B at parent. ExGen remains at sub ~3X debt/EBITDA through the forecast period. The table below shows our sum-of-the-parts EPS forecast.

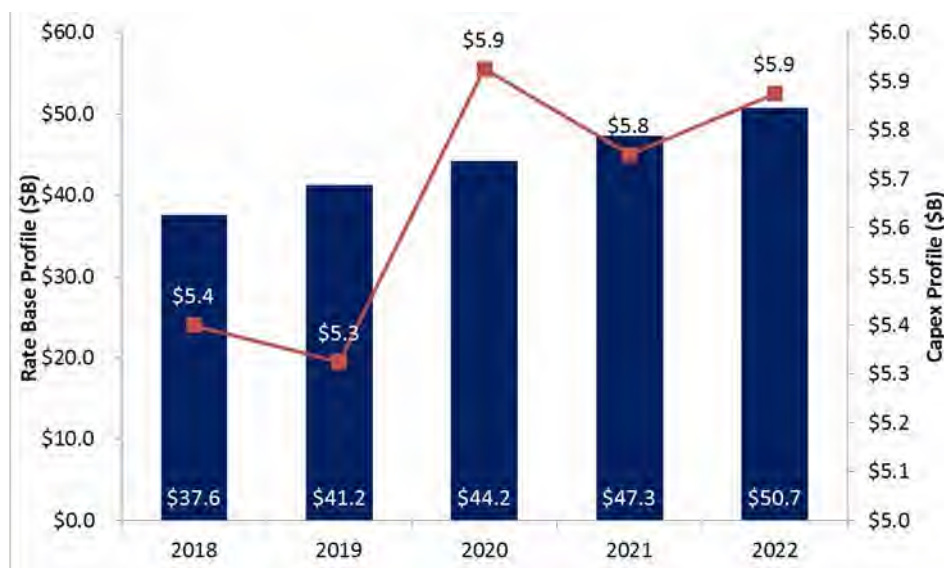
*Exhibit 1***Consolidated EPS Profile**

EPS SOTP	Units	2018	2019	2020	2021
ExGen	\$/share	\$1.39	\$1.24	\$1.10	\$0.96
Utilities	\$/share	1.91	2.11	2.25	2.35
Parent / Other	\$/share	(0.18)	(0.19)	(0.19)	(0.17)
<b>Consolidated EPS</b>	<b>\$/share</b>	<b>\$3.12</b>	<b>\$3.15</b>	<b>\$3.15</b>	<b>\$3.15</b>

Source: Evercore ISI Research

**EXC reported 4Q18 adjusted consolidated EPS of \$0.58, near the mid-point of guidance range \$0.50 - \$0.65 and in line with consensus at \$0.57.** The quarter was \$0.02 improved YoY, largely at the utilities which were \$0.06 improved primarily on increased rates (+\$0.02) and tax tailwinds (\$0.04) but also higher investments (+\$0.01). ExGen on the other hand was \$0.04 lower YoY, primarily on market and portfolio conditions (-\$0.18) and nuclear outages (-\$0.01), with offsets primarily from the TCJA (+\$0.03) and ZEC, capacity revenues (\$0.08) and other. Overall, EXC had a strong quarter in line with our and street expectations.

**EXC initiated a FY'19 consolidated EPS guidance range of \$3.00 - \$3.30 (\$3.15 at the midpoint) versus consensus at \$3.17.** The long-term Utility EPS growth outlook was maintained at 6-8%. Management rolled out an updated 4-year capital program for '19-'22 to \$23B from \$21B for the '18-'21 period. The rate base will grow to \$50.7B by 2022E from \$37.6B in 2018, an annual growth rate of 7.8% vs. previously expected CAGR of 7.4%.

*Exhibit 2***Rate Base and Capex Profile**

Source: Evercore ISI Research, Company presentation

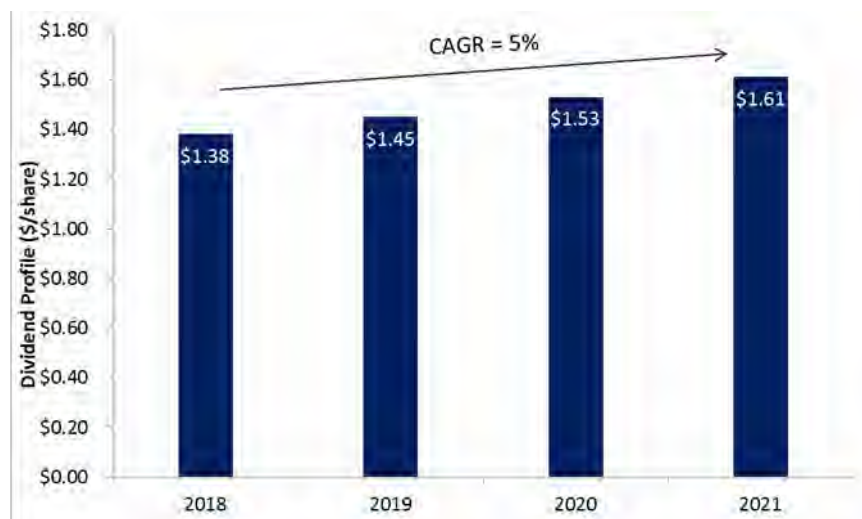
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**We are updating our '19 / '20 EPS forecast to \$3.15 / \$3.15 and introducing '21 EPS estimate of \$3.15.** We incorporate latest management guidance including the capex budget, O&M profile and hedging disclosures into our model. We also updated our model for power curves as of 2/7/2019. We note ExGen remains 9-12% and 8-11% behind ratable hedging of its wholesale length in '19 and '20 to capture potential power market upside. In addition, recent modifications to the ORDC curve in TX are not included in the hedging/guidance disclosure. Our forecast doesn't include upside from the potential for PJM capacity market changes that may benefit EXC or PJM energy price reforms (which are not moving as quickly as we thought they would but we still believe will happen).

**EXC has committed to grow the dividend 5% annually through at least 2020**, which is eminently manageable given their cash flow outlook and the strength of the balance sheet. EXC is rated Baa2 with a Stable outlook at Moody's, but is rated BBB- with a Positive outlook at S&P. Dividend profile is shown in the chart below.

Exhibit 3

**Forecast Dividend Profile**

Source: Evercore ISI Research

**What is the upside potential for EXC's earnings power?** At ExGen the current EPS trajectory as shown in Exhibit 1 isn't pretty, but we think that is biased to the upside as the forward power curve is backwardated and not liquid, with ExGen staying behind ratable hedging to capture that upside as we move to spot. In addition, the upside from favorable capacity market reform could translate to ~\$344m of annual EBITDA uplift--\$0.27/share of EPS--and a minimum of +/- \$2/share of value. That assumes EXC only gets 6.5X EBITDA on those cash flows, which is a conservative assumption because if FERC allows EXC to pursue the FRR construct EXC would work with the IL state government to remove some of its plants from PJM's capacity market and drive revenue stability that is multiple enhancing. We talk about the potential outcomes of FERC's pending revision of the PJM capacity market rules in a separate [note](#).

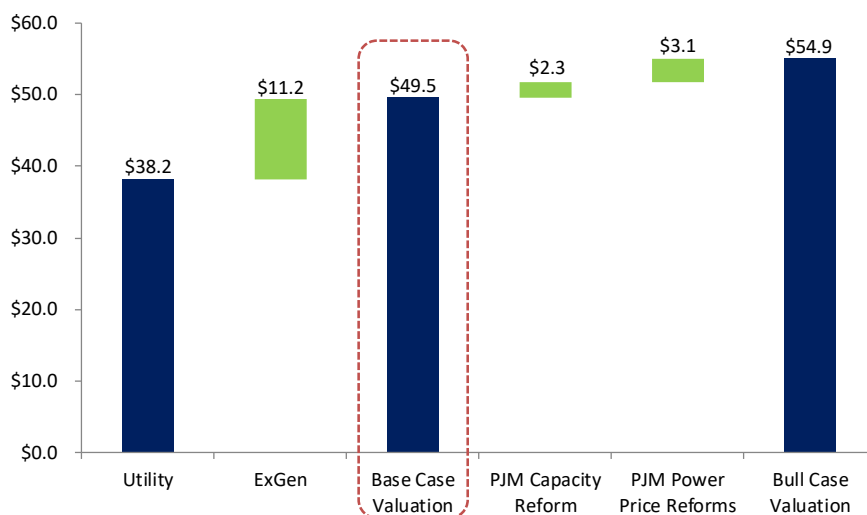
PJM energy price reforms could also over time add >\$0.35/share to EXC earnings power if ever fully enacted (assuming \$3 - \$4/MWh of power price upside). The pace of progress on those has, however, been significantly slower than we had hoped. For our most recent review of the status of those reforms, see note [here](#).

If we assume that EXC ultimately benefits from capacity reform and some or all of the PJM price reform upside, its earnings power could theoretically rise from \$3.15/share in '21 on the current outlook to \$3.80/share in FY '23.

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From valuation perspective, PJM Capacity Market reform could add \$2.30/share of value using a conservative valuation multiple, while PJM price reforms might be worth additional \$3.20/share of value. That could drive value up to ~\$55/share from our base case of ~\$49.50, as shown in Exhibit 4 below.

*Exhibit 4***EXC Valuation – Base Case & Upside Opportunities**

Earnings *	\$2.18	\$2,700	\$3.15	\$344	\$473	
Multiple **	17.5x	6.5x	15.7x	6.5x	6.5x	
Value (\$/share)	\$38.2	\$11.2	\$49.5	\$2.3	\$3.1	\$54.9

Source: Evercore ISI Research

\*Utility earnings represent our '21 estimate for utility + parent. For ExGen, it represents '21 EBITDA estimate

\*\*For utility, we apply PE multiple, while for ExGen we use EV/EBITDA multiple

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**Our 12-month price target is now \$50.50, up from \$45/share. We maintain our Outperform rating.** When we build up our fundamental target price we use a 17.5X multiple on expected regulated EPS in '21, a ~3% premium to our average regulated utility target P/E for '21 of +/-17.0X. We do so to capture the value associated with the 9.5% expected EPS growth from '21-'22 that Exelon is currently forecasting. Next, we use a 6.5X '21 EBITDA multiple for ExGen and assume \$1.5bn of debt reduction there through YE '21. Before any upside from PJM capacity or energy market reforms, fair fundamental value would be \$49.5/share (that equates to a ~10.3% FCF to EV for ExGen in '21). But we add \$1/share of value to our base case value to get to our total TP of \$50.50 taking into account possibility of ExGen upsides becoming visible in the next 12 months. Finally capacity price reform, if it results in FRR treatment for nuclear plants, might not only be accretive to earnings or cash flow but could also drive revenue stability that is multiple-enhancing. At our 12-month target price of \$50.50/share, ExGen's FCF yield would be ~11.2%.

*Exhibit 5***EXC SOTP Valuation – Base Case**

EXC - SOTP Valuation	Units	2021
Share Count	mm	981
Utility EPS	\$/share	\$2.18
Multiple	x	17.5x
<b>Utility Value</b>	<b>\$/share</b>	<b>\$38.2</b>
ExGen EBITDA	\$mm	\$2,700
Multiple	x	6.5x
Enterprise Value	\$mm	\$17,547
Net Debt	\$mm	\$6,550
ExGen Value	\$mm	\$10,997
<b>ExGen Value</b>	<b>\$/share</b>	<b>\$11.2</b>
<b>Total Value No Upsides</b>	<b>\$/share</b>	<b>\$49.5</b>
Unlevered FCF	\$mm	\$1,807
Unlevered FCF to EV	%	10.3%
Net Debt to EBITDA	x	2.4x

Source: Evercore ISI Research

**What's next?** At the utilities, ACE filed for a \$121mm electric distribution rate increase on 8/21/18, premised on a 50.22% equity layer and 10.10% ROE. Interim rates expected to go in effect in May 2019 and a NJBPU order is expected in 3Q19. Pepco MD filed an electric distribution base rate case on January 15, 2019 requesting the Maryland Public Service Commission (MDPSC) to increase rates by \$30m on \$2B rate base with 10.3% ROE and 50.5% equity ratio. A final decision expected by August of 2019. At ExGen, The FERC is may render a decision on PJM's capacity market reform proposal by March of 2019, though that may slip further. A FERC decision on the fast start NOPR is expected in mid-2019, which could lay the groundwork for broader price reform sought in PJM. We also expect PJM to send a "206" filing to FERC in order to move forward on ORDC price reform.

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**VALUATION METHODOLOGY**

Our valuation is based on a sum of the parts analysis. We use a P/E multiple on the utility and an EBITDA multiple for the merchant power business.

**RISKS**

Higher or lower power / capacity prices and favorable / unfavorable outcomes in regulatory proceedings would cause our valuation to be either higher or lower. Higher interest rates would pull utility earnings up in IL but pressure multiples so the net impact would likely be negative overall. A favorable outcome in the upcoming capacity auctions would be accretive but a significantly lower capacity auction price would be negative.

**COMPANIES UNDER COVERAGE BY AUTHOR**

Symbol	Company	Rating	Price (2019-10-02)	Evercore ISI Target
AEE	Ameren Corp.	In Line	\$70.47	\$63.25
AEP	American Electric Power	In Line	\$80.02	\$78.00
AES	The AES Corporation	Outperform	\$17.22	\$17.00
AGR	Avangrid Inc	In Line	\$50.51	\$50.00
CMS	CMS Energy Corp.	Outperform	\$52.95	\$54.00
CNP	CenterPoint Energy, Inc.	In Line	\$30.85	\$28.00
CWEN	Clearway Energy	Outperform	\$14.43	\$21.50
D	Dominion Energy, Inc	In Line	\$73.05	\$73.00
DCP	DCP Midstream, LP	In Line	\$30.82	\$34.00
DTE	DTE Energy Co.	In Line	\$118.56	\$111.00
DUK	Duke Energy Corp.	In Line	\$90.30	\$82.00
ED	Consolidated Edison Inc.	In Line	\$78.93	\$74.00
EIX	Edison International	In Line	\$58.08	\$68.50
ENB	Enbridge Inc.	Outperform	\$36.10	\$54.00
EPD	Enterprise Products Partners LP	Outperform	\$27.55	\$32.00
ES	Eversource Energy	Outperform	\$70.05	\$64.50
ET	Energy Transfer Partners, L.P.	Outperform	\$14.36	\$18.00
ETR	Entergy Corp.	In Line	\$90.82	\$84.00
EVRG	Evergy	Outperform	\$58.10	\$59.50
EXC	Exelon Corp.	Outperform	\$47.72	\$50.50
FCFE18-MX	CFE Capital S. de R.L. de C.V.	Outperform	MXN16.70	MXN19.00
FE	FirstEnergy Corp.	Outperform	\$39.49	\$40.00
HE	Hawaiian Electric Industries Inc.	Underperform	\$37.98	\$34.00
KMI	Kinder Morgan, Inc.	Outperform	\$18.02	\$23.00
MMP	Magellan Midstream Partners, L.P.	Outperform	\$57.53	\$73.00
MPLX	MPLX LP	Outperform	\$32.75	\$40.00
NEE	NextEra Energy Inc	Outperform	\$183.01	\$191.00
NI	NiSource Inc	In Line	\$26.58	\$26.00
NRG	NRG Energy Inc.	Outperform	\$41.83	\$43.50
OGE	OGE Energy Corp	In Line	\$41.26	\$37.00
OKE	ONEOK Inc.	In Line	\$65.02	\$68.00
PAA	Plains All American Pipeline, L.P.	In Line	\$22.92	\$24.00
PAGP	Plains GP Holdings, L.P.	In Line	\$23.11	\$24.00
PCG	PG&E Corp.	In Line	\$14.20	\$21.00
PEG	Public Service Enterprise Group	Outperform	\$55.88	\$56.00
PNM	PNM Resources, Inc	In Line	\$42.90	\$39.00
PNW	Pinnacle West Capital Corp.	In Line	\$89.38	\$89.00
PPL	PPL Corp.	In Line	\$31.29	\$30.50
SO	Southern Co.	Underperform	\$49.12	\$45.00
SRE	Sempra Energy	Outperform	\$117.92	\$130.00
TRGP	Targa Resources Corp	In Line	\$42.67	\$46.00
TRP	TransCanada Corporation	In Line	CAD55.22	CAD60.00
VST	Vistra Energy Corp	Outperform	\$25.93	\$32.00
WEC	WEC Energy Group, Inc.	In Line	\$74.72	\$71.00
WMB	The Williams Companies Inc.	Outperform	\$26.88	\$31.00
XEL	Xcel Energy Inc.	In Line	\$53.48	\$53.00

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**Outperform-** the total forecasted return is expected to be greater than the expected total return of the analyst's coverage universe

**In Line-** the total forecasted return is expected to be in line with the expected total return of the analyst's universe

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\*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

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Neutral - Return 0% to 10%

Cautious- Return -10% to 0%

Sell- Return &lt; -10%

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Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage universe over the next 12 months.

Underweight- the stock is expected to underperform the average total return of the analyst's coverage universe over the next 12 months.

Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

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**Evercore ISI rating (as of 02/10/2019)**

Coverage Universe			Investment Banking Services   Past 12 Months		
Ratings	Count	Pct.	Ratings	Count	Pct.
Buy	371	53	Buy	243	65
Hold	274	39	Hold	134	49
Sell	40	6	Sell	21	53
Coverage Suspended	15	2	Coverage Suspended	12	80
Rating Suspended	6	1	Rating Suspended	2	33

**Issuer-Specific Disclosures (as of February 10, 2019)**

February 11, 2019

EVERCORE ISI

## Price Charts



## Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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Utilities and PowerCompany  
**Exelon**Reuters  
EXC.NBloomberg  
EXC UNExchange  
NYSTicker  
EXCDate  
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## Results

Price at 8 Feb 2019 (USD)	47.72
Price target	49.00
52-week range	48.13 - 36.60

## Utility growth overlooked

## Strong utility update ignored by market

Exelon's stock underperformed Friday, despite what we saw as a constructive update. The utility growth story was stepped up materially with 2019-2021 CapEx up 10% or \$1.5B and a robust 2022 added to the prior outlook. This drives 2019-2022 rate base growth up to a CAGR of 7.8% from 7.4% for 2018-2021 previously, with a corresponding boost to utility earnings power as EXC kept its 6-8% bogey while rolling in an above-trend (+11%) 2018. Importantly, Exelon Utilities CEO Anne Pramaggiore said that Exelon can spend the extra money while still keeping customer bill increases below inflation in 7 of its 8 jurisdictions and around inflation in the other. This is largely due to ongoing cost management and energy efficiency programs. Additionally, much of the spending is included in trackers, limiting regulatory risk and potential for lag. Exelon's utilities are now projected to comprise two-thirds of consolidated earnings power by 2021 and three-quarters of the value of the company. With continued execution and projected superior growth now sustaining well beyond the normalization of earnings at formerly underperforming utilities (first BGE then PHI), we believe it is appropriate to place a 5% premium on our multiple for Exelon Utilities. After Friday's unwarranted weakness, we reiterate our Buy and raise our price target from \$48 to \$49 with EXC still offering good relative value exposure to quality regulated utility assets in a well bid group.

## ExGen O&amp;M headline may have missed the big picture

From our conversations with investors, the biggest concern on the call was a ~\$75M increase in ExGen's O&M targets compared to Q3. We understand this change to have two primary components, 1) increased pension expense; and 2) cost to operate their newly acquired New England LNG terminal. For pension expense, this is an industry wide issue relating to the downturn in the stock market in Q4. Accounting rules make companies mark their pension expense for the year on 12/31, so the market's 8% bounce back in the early part of 2019 is essentially ignored here. That said, should the strong run continue for the balance of the year, there is scope for 2020+ O&M to be lower than currently advertised. Turning to the LNG plant, Everett, we note that the O&M uplift is a small piece of a multifaceted NPV positive transaction for EXC. First off, EXC was essentially paid \$75M in 2018 to take the plant. Next, EXC will receive ~\$280M/yr from ISO-NE for 2 years beginning in mid-2022 for operating the LNG plant as well as its Mystic 8-9 power plant. Finally, owning Everett provides both a revenue opportunity and a risk mitigant through secured access to fuel during upcoming winters. All told, while a good trade overall, the O&M snapshot was perhaps a bit misleading.

## Valuation &amp; Risks

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## Key changes

TP	48.00 to 49.00	↑	2.1%
EPS (USD)	-	↓	-0.0%
Revenue (USDm)	31,495.8 to 31,545.6	↑	0.2%

Source: Deutsche Bank

## Price/price relative



Performance (%)	1m	3m	12m
Absolute	5.1	6.6	32.6
S&P 500 INDEX	5.2	-3.5	4.9

Source: Deutsche Bank

## Stock &amp; option liquidity data

Market cap (USDm)	46,145.2
Shares outstanding (m)	967.0
Volume (8 Feb 2019)	1,205,260
Option volume (und. shrs., 1M avg.)	532,137
DPS (USD)	1.42

Source: Deutsche Bank

Deutsche Bank Securities Inc.

Distributed on: 11/02/2019 10:30:27 GMT

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Undoubtedly, EXC could have, and likely will do, a better job of presenting the full picture in future investor communications.

Outside of ExGen O&M, we note that most analysts and investors who use a T+2 look (there are 8 estimates for 2021 and only 3 estimates for 2022), ourselves included, are potentially overlooking a key component of Exelon utilities' growth. At the earnings guidance midpoints, Exelon utilities should grow nearly 10% in 2022 following a couple years of more pedestrian ~5% growth. In Q&A CFO Nigro explained the reason for that is threefold, namely 1) compounding of prior year investments; 2) a planned rate case filing at PECO in 2021; and 3) additional spending under the formula rate at ComEd.

#### Nuclear policy debate 4.0 set to heat up this Spring

Following successful pushes in Illinois, New York and New Jersey the past few years, EXC is gearing up for another round of legislative discussions this spring to support its zero-carbon nuclear power. The debate has recently kicked off in both Illinois and Pennsylvania, with a couple of legislators in the former introducing a clean energy / renewables bill yesterday and nuclear-friendly legislators in the latter looking for legislative co-sponsors. While it is very early in the sessions to handicap the odds, EXC CEO Chris Crane made clear that they would proceed with shutting down Three Mile Island 1 later this year, should policy support not emerge by May. In Pennsylvania, while the oil and gas lobby is a fierce opponent, there appears to be at least some motivation to include nuclear in the state's alternative energy standard, particularly with FES' Beaver Valley and Talen's Susquehanna nuclear plants also struggling. In Illinois, new Governor Pritzker has been a strong supporter of clean energy and EXC has been relatively close to the administration to date. Whether something gets done this year, next year (or never) could hinge on other legislative priorities (i.e. state budget), when FERC's decision on PJM capacity market is released and how broad a coalition EXC can build (i.e. if it is aligned with or an adversary to clean energy supporters). Importantly, EXC has ~13 units in the two states not currently receiving support, putting the scope of potential support well into the \$100s of millions. Besides a pure economic uplift, further support could potentially enhance value for these assets in creating a longer-term regulated-like earnings stream.

#### Modeling updates

We update our model for Q4 actuals and 2019 guidance. We also adjust for the multi-year capital plan updates, long-term hedge updates and the new O&M forecast. All told, we reiterate our 2019 and 2020 estimates of \$3.15 and \$3.20, respectively, with the mix between the utilities and ExGen shifting. We lower our 2021 estimate by \$0.05 to \$3.20 as the ExGen drag more than offsets the utilities uplift in that year.

#### Valuation

We value EXC's utility and corporate segment by applying a 5% premium to 2021E EPS. We believe this premium, up from a 1.5% implied average premium previously, is warranted and perhaps conservative as the Exelon utility growth story is among the best in the sector, there is no major project risk embedded in the plan, there are diverse regulatory jurisdictions and no regulated generation with obsolescence risk. Additionally, EXC's look to 2022 shows earnings should inflect higher that year so our higher multiple in our 2021-based valuation also captures some of this uplift.

We continue to value ExGen by applying a 6.75x EV/EBITDA multiple to our 2021 estimate, which is about in line with the average multiple we afford to merchant

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generators. Our ExGen multiple is down 0.25x from prior, consistent with our IPP valuations, as the market risk premium appears to have risen. We apply a 50% haircut 3.4x multiple to EXC's expected ZEC revenues in PJM as policy uncertainty remains and may require new legislation / regulation to resolve.

Figure 1: EXC Valuation

Exelon (NYSE: EXC)				
Sum of the Parts Valuation				
Business Segment	Metric	2021E	Multiple	Value
ComEd	P/E	\$0.79		
PECO	P/E	\$0.56		
BG&E	P/E	\$0.40		
PHI	P/E	\$0.56		
Corp	P/E	(\$0.18)		
<b>Utilities &amp; Corp Equity Value</b>		<b>\$2.13</b>	<b>16.8x</b>	<b>34,660</b>
ExGen	EV/EBITDA	2,527	6.75x	17,059
NJ & IL ZEC Revenues	EV/EBITDA	316	3.38x	1,068
Less: Generation Net Debt				(5,716)
<b>Non-Utility Equity Value</b>				<b>12,410</b>
<b>Total Equity Value</b>				<b>47,071</b>
Diluted Average Shares Outstanding (2021E)				970
<b>Price Target</b>				<b>\$49</b>

Source: Deutsche Bank

### Risks

Downside risks include lower-than-expected forward power prices and unfavorable regulatory outcomes at both the utilities and merchant power business.

### Forecasts and ratios

Year End Dec 31	2018A	2019E	2020E
1Q EPS	0.96	0.97	–
2Q EPS	0.71	0.69	–
3Q EPS	0.88	0.91	–
4Q EPS	0.58	0.59	–
FY EPS (USD)	3.12	3.15	3.20
P/E (x)	13.3	15.1	14.9
DPS (USD)	1.35	1.42	1.49
Dividend yield (%)	3.3	3.0	3.1

Source: Deutsche Bank estimates, company data

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# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Exelon	EXC.N	47.72 (USD) 8 Feb 2019	8, 14, 15

\*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002>. Investors are strongly encouraged to review this information before investing.

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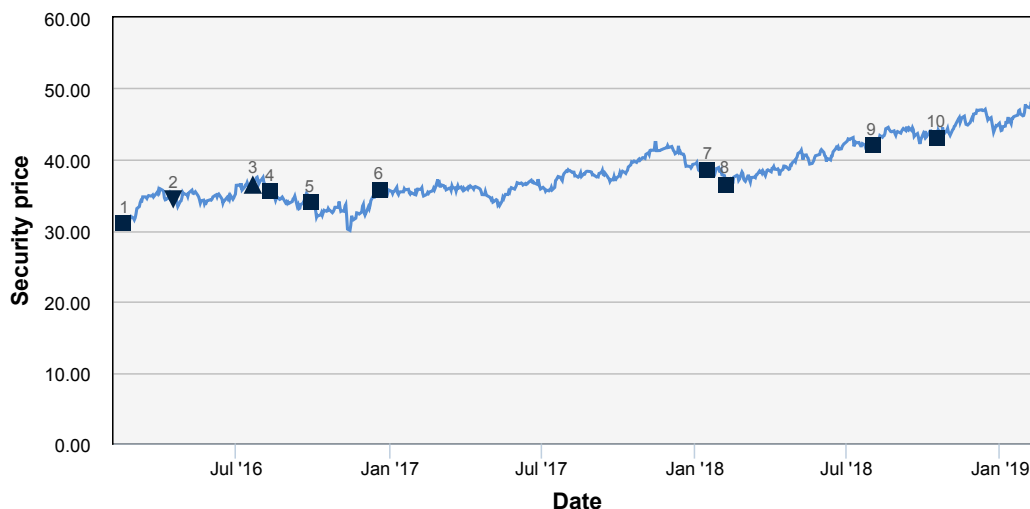
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### Historical recommendations and target price. Exelon (EXC.N)

(as of 02/08/2019)



#### Current Recommendations

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1.	02/17/2016	Buy, Target Price Change USD 34.00 Jonathan Arnold	6.	12/20/2016	Buy, Target Price Change USD 41.00 Jonathan Arnold
2.	04/18/2016	Downgraded to Hold, Target Price Change USD 36.00 Jonathan Arnold	7.	01/17/2018	Buy, Target Price Change USD 42.00 Jonathan Arnold
3.	07/22/2016	Upgraded to Buy, Target Price Change USD 39.00 Jonathan Arnold	8.	02/07/2018	Buy, Target Price Change USD 45.00 Jonathan Arnold
4.	08/11/2016	Buy, Target Price Change USD 40.00 Jonathan Arnold	9.	08/02/2018	Buy, Target Price Change USD 47.00 Jonathan Arnold
5.	09/29/2016	Buy, Target Price Change USD 38.00 Jonathan Arnold	10.	10/18/2018	Buy, Target Price Change USD 48.00 Jonathan Arnold

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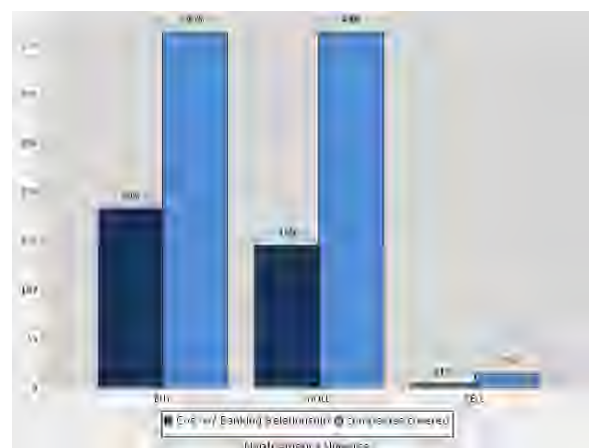
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## Reducing 2020 Estimate

### What's Incremental To Our View

Based on revised assumptions, we have reduced our 2020 estimate. Despite our lower estimate, we have actually increased our price target to \$49 from \$47 to reflect latest peer valuations.

### IMPORTANT POINTS

- EXC reported 4Q results of \$0.58 vs \$0.55, modestly below our estimate of \$0.59 but modestly above consensus of \$0.57. The modest shortfall (vs our estimate) was primarily due to lower than expected Generation results.
- Based on the latest forward commodity curves, updated hedge disclosures, and revised cost assumptions, we maintain our 2019 estimate at \$3.16, but reduce our 2020 estimate to \$3.11 from \$3.14. Our preliminary 2021 estimate is \$3.09.
- On the regulatory front, we are closely monitoring activity in PJM (related to potential changes to the energy and capacity markets) and Pennsylvania (related to potential subsidy support for nuclear assets). We expect more clarity in the coming months.
- Assuming a P/E multiple of 15.7x (in line with the peer group) on our 2020 estimate of \$3.11, we derive our price target of \$49. Our current rating is **Hold**.
- We have included our revised 2019-20 earnings and cash flow models in this report.

### Hold

Price Target: **\$49.00**  
Prior: \$47.00

Price (Feb. 8, 2019)	\$47.72
52-Wk Range	\$48.13-\$36.60
Market Cap (\$M)	\$46,145
ADTV	3,807,217
Shares Out (M)	967.0
Short Interest Ratio/% Of Float	1.7%
Dividend/Yield	\$1.45/3.0%
TR to Target	5.7%
Enterprise Value (\$M)	\$82,173.2

Cash And Equivalents (\$M)	\$2,854.0
Total Debt (\$M)	\$36,514.0
Minority Interest	\$2,368.0
Debt/Cap	51%
5 Year EPS Growth	5.0%
ROE	9.0%
P/B	1.40x

	2018A	2019E		2020E	
		Curr.	Prior	Curr.	Prior
<b>EPS Adjusted</b>					
1Q	\$0.96	\$0.85	\$0.97	\$0.84	\$0.96
2Q	\$0.71	\$0.76	\$0.72	\$0.75	\$0.71
3Q	\$0.88	\$0.93	\$0.89	\$0.92	\$0.88
4Q	\$0.58	\$0.62	\$0.58	\$0.61	\$0.59
CY	\$3.12	\$3.16	\$3.16	\$3.11	\$3.14
P/E	15.3x	15.1x		15.3x	
<b>Consensus</b>					
CY	\$3.12	\$3.17		\$3.20	
<b>Revenue (\$M)</b>					
CY	\$36,248	\$36,015	\$34,955	\$35,930	\$35,110
<b>Operating Margin (%)</b>					
CY	13.70%	14.10%	14.70%	13.90%	14.60%
<b>EBITDA (\$M)</b>					
CY	\$8,777	\$9,075	\$8,621	\$9,210	\$8,720
EV/EBITDA	9.4x	9.1x		8.9x	
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### Exelon Corporation (EXC) Earnings Model, 2014A-2020E (dollars in millions, except per share)

	2020E		2019E		2018A		2017A		2016A		2015A		2014A	
<b>Revenues (% change)</b>														
Com Ed	6,150		6,000		5,882		5,536		5,246		4,905		4,564	
PECO	3,175		3,100		3,038		2,870		2,994		3,032		3,094	
BGE	3,330		3,265		3,169		3,176		3,233		3,135		3,165	
PEPCO	5,075		4,950		4,805		4,679		3,643					
Generation	19,500		20,000		20,700		18,636		18,304		18,925		17,853	
Other	(1,300)		(1,300)		(1,346)		(1,196)		(1,515)		(760)		(787)	
<b>Total Revenues</b>	<b>35,930</b>	<b>-0.2%</b>	<b>36,015</b>	<b>-0.6%</b>	<b>36,248</b>	<b>7.6%</b>	<b>33,701</b>	<b>5.6%</b>	<b>31,905</b>	<b>9.1%</b>	<b>29,237</b>	<b>4.8%</b>	<b>27,889</b>	<b>9.6%</b>
<b>Operating Income (% sales)</b>														
Com Ed	1,275	20.7%	1,210	20.2%	1,146	19.5%	1,325	23.9%	1,200	22.9%	1,026	20.9%	984	21.6%
PECO	640	20.2%	615	19.8%	591	19.5%	664	23.1%	712	23.8%	634	20.9%	574	18.6%
BGE	530	15.9%	500	15.3%	478	15.1%	624	19.6%	555	17.2%	563	18.0%	441	13.9%
PHI	800	15.8%	760	15.4%	683	14.2%	756	16.2%	485	13.3%				
Generation	1,715	8.8%	1,940	9.7%	2,017	9.7%	1,637	8.8%	1,969	10.8%	2,033	10.7%	1,956	11.0%
Other	50		50		62		(13)		(48)		(22)		(19)	
Equity Income (Loss)													(8)	
<b>Total Operating Income</b>	<b>5,010</b>	<b>13.9%</b>	<b>5,075</b>	<b>14.1%</b>	<b>4,977</b>	<b>13.7%</b>	<b>4,993</b>	<b>14.8%</b>	<b>4,873</b>	<b>15.3%</b>	<b>4,234</b>	<b>14.5%</b>	<b>3,928</b>	<b>14.1%</b>
Interest Expense, net	(1,475)		(1,500)		(1,529)		(1,502)		(1,383)		(1,098)		(931)	
Other Income (Expense)	490		490		513		418		289		276		262	
Pretax income	4,025		4,065		3,961		3,909		3,779		3,412		3,259	
Taxes (rate)	765	19.0%	772	19.0%	720	18.2%	1,441	36.9%	1,299	34.4%	1,165	34.1%	1,057	32.4%
Preferred / Non Controlling Interest	195		190		187		(35)		(32)		13		134	
Equity Income (Loss)	(29)		(28)		(28)		(32)		(24)		(7)			
<b>Net Income (% change)</b>	<b>3,036</b>	<b>-1.2%</b>	<b>3,075</b>	<b>1.6%</b>	<b>3,026</b>	<b>22.5%</b>	<b>2,471</b>	<b>-0.7%</b>	<b>2,488</b>	<b>11.7%</b>	<b>2,227</b>	<b>7.7%</b>	<b>2,068</b>	<b>-3.8%</b>
Shares Outstanding (ful. dil.)	977.0		973.0		969.0		949.0		927.0		893.0		864.0	
<b>Operating EPS -- ful. dil. (% change)</b>	<b>\$3.11</b>	<b>-1.6%</b>	<b>\$3.16</b>	<b>1.2%</b>	<b>\$3.12</b>	<b>19.9%</b>	<b>\$2.60</b>	<b>-3.0%</b>	<b>\$2.68</b>	<b>7.8%</b>	<b>\$2.49</b>	<b>4.2%</b>	<b>\$2.39</b>	<b>-4.4%</b>
Extraordinary Items														
Reported GAAP EPS														
<b>Regulated Utility (net Parent) EPS</b>	<b>\$2.05</b>		<b>\$1.91</b>		<b>\$1.74</b>		<b>\$1.57</b>		<b>\$1.41</b>		<b>\$1.09</b>		<b>\$1.06</b>	
<b>Generation EPS</b>	<b>\$1.06</b>		<b>\$1.25</b>		<b>\$1.38</b>		<b>\$1.03</b>		<b>\$1.27</b>		<b>\$1.40</b>		<b>\$1.33</b>	
<b>EBITDA</b>	<b>9,210</b>		<b>9,075</b>		<b>8,777</b>		<b>8,569</b>		<b>8,105</b>		<b>6,684</b>		<b>6,242</b>	
<b>PECO</b>														
Total Electric Retail Sales (millions mwhs)	41.5		40.0		38.5		37.2		37.9		38.0		37.5	
Implied Operating Margin (\$/MWh)	\$15.4		\$15.4		\$15.4		\$17.8		\$18.8		\$16.7		\$15.3	
<b>Generation</b>														
Total Power Sales (millions mwhs)	185.1		193.2		214.5		213.2		203.0		196.4		199.2	
Implied Operating Margin (\$/mwh)	\$9.3		\$10.0		\$9.4		\$7.7		\$9.7		\$10.4		\$9.8	
<b>Net Income By Segment</b>														
Com Ed	785		735		664		592		524		432		410	
PECO	525		490		463		427		444		380		353	
BGE	365		340		316		318		289		277		199	
Generation	1,036		1,220		1,343		973		1,181		1,253		1,155	
PHI	520		485		415		338		228					
Other	(195)		(195)		(175)		(177)		(178)		(115)		(49)	
Total	3,036		3,075		3,026		2,471		2,488		2,227		2,068	

#### Note

- 1) Rate Base - Com Ed: \$13.1bn in 2017, \$14.2bn in 2018, \$15.6bn in 2019E, \$16.7bn in 2020; PECO: \$6.6bn in 2017, \$7.1bn in 2018, \$7.9bn in 2019E, \$8.4bn in 2020; BGE: \$5.7bn in 2017, \$6.3bn in 2018, \$6.9bn in 2019E, \$7.7bn in 2020E; PHI: \$9.2bn in 2017, \$10.0bn in 2018, \$10.8bn in 2019E, \$11.4bn in 2020.
- 2) Earned ROE - Com Ed: 9.0% in 2017, 10.3% in 2018, 10.4% in 2019E, 10.4% in 2020E; PECO: 12.9% in 2017, 13.0% in 2018, 12.4% in 2019E, 12.5% in 2020E; BGE: 10.9% in 2017, 10.2% in 2018, 10.1% in 2019E, 9.7% in 2020E; PHI: 7.6% in 2017, 9.0% in 2018, 9.8% in 2019E, 9.9% in 2020E.
- 3) We assume the Illinois legislature's changes to Com Ed formula rates represent \$0.02 of earnings in 2013 and \$0.04 of annual earnings from 2014 onwards.
- 4) We assume that the DOE nuclear disposal fee is removed from May 2014; represents \$0.06 of earnings in 2014 and \$0.11 annually thereafter.
- 5) We have included the impact of the \$1.15bn Equity Units (2.5% interest rate) from mid 2014 and assume conversion to equity (33m shares) on 6/1/17.
- 6) We have factored in the impact of the \$6.8bn PHI acquisition from Q2 2016 (including the settlement of the 57.5m share forward equity sale on 7/14/15).
- 7) We assume the New York ZEC payments and the acquisition of the Fitzpatrick plant (838mw, nuclear \$110m price) from Q2 2017.
- 8) We have factored the IL ZEC payments for Clinton (1069mw) and Quad City (1403mw) from 6/1/17.
- 9) We estimate annual pre tax income of \$315m (\$0.26 of EPS) from NY ZEC payments and \$235m (\$0.20 of EPS) from IL ZEC payments.
- 10) We assume retirement of TMI (September 2019), Oyster Creek 4Q 2018, and exit from EGTP (2018 onwards).
- 11) Management cost reduction targets: \$75m in 2018, \$200m in 2019, \$325m in 2020, \$150m in 2021; we assume targets are met.
- 12) We assume NJ ZECs (representing \$75m pre tax or \$0.06 of annual EPS) from 2Q 2019 onwards.
- 13) Forward curves as of 2/7/19.

Sources: Company reports and SunTrust Robinson Humphrey estimates.



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**Exelon Corporation (EXC)**  
**Cash Flow Model, 2014A-2020E**  
(\$ in millions except per share)

	<u>2020E</u>	<u>2019E</u>	<u>2018A</u>	<u>2017A</u>	<u>2016A</u>	<u>2015A</u>	<u>2014A</u>
Net income	3,036	3,075	3,026	2,471	2,488	2,227	2,068
Depreciation, depletion, amortization	5,800	5,700	5,971	5,427	5,576	3,987	3,868
Working Capital Change / Other	(400)	(400)	(353)	(406)	381	1,420	(1,479)
<b>Cash Flow From Operations</b>	<u>8,436</u>	<u>8,375</u>	<u>8,644</u>	<u>7,492</u>	<u>8,445</u>	<u>7,634</u>	<u>4,457</u>
Dividends	(1,470)	(1,400)	(1,332)	(1,236)	(1,166)	(1,105)	(1,065)
Capital expenditures	(7,850)	(7,225)	(7,594)	(7,584)	(8,553)	(7,624)	(6,077)
<b>Free Cash Flow</b>	<u>(884)</u>	<u>(250)</u>	<u>(282)</u>	<u>(1,328)</u>	<u>(1,274)</u>	<u>(1,095)</u>	<u>(2,685)</u>

Sources: Company reports and SunTrust Robinson Humphrey estimates.

### Company Description

Exelon, a utility services holding company, operates through its principal subsidiaries: Generation, ComEd, PECO, and BGE. Generation's business consists of its owned and contracted electric generating facilities, its wholesale energy marketing operations and its competitive retail supply operations. ComEd's energy delivery business consists of the purchase and regulated retail sale of electricity and the provision of distribution and transmission services to retail customers in northern Illinois, including the City of Chicago. PECO's energy delivery business consists of the purchase and regulated retail sale of electricity and the provision of transmission and distribution services to retail customers in southeastern Pennsylvania, including the City of Philadelphia, as well as the purchase and regulated retail sale of natural gas and the provision of distribution services to retail customers in the Pennsylvania counties surrounding the City of Philadelphia. BGE is a regulated electric transmission and distribution utility company and a regulated gas distribution utility company with a service territory that covers the City of Baltimore and all or part of 10 counties in central Maryland.

### Investment Thesis

Current valuation largely reflects positive trends unfolding at the company, limiting upside potential.

### Valuation and Risks

#### VALUATION

Assuming a P/E multiple of 15.7x (in line with the peer group) on our 2020 estimate of \$3.11, we derive our price target of \$49.

#### RISKS

- Outlook for forward power prices.
- Impact of potential regulatory changes to the PJM market
- Outcome of pending and future rate cases.

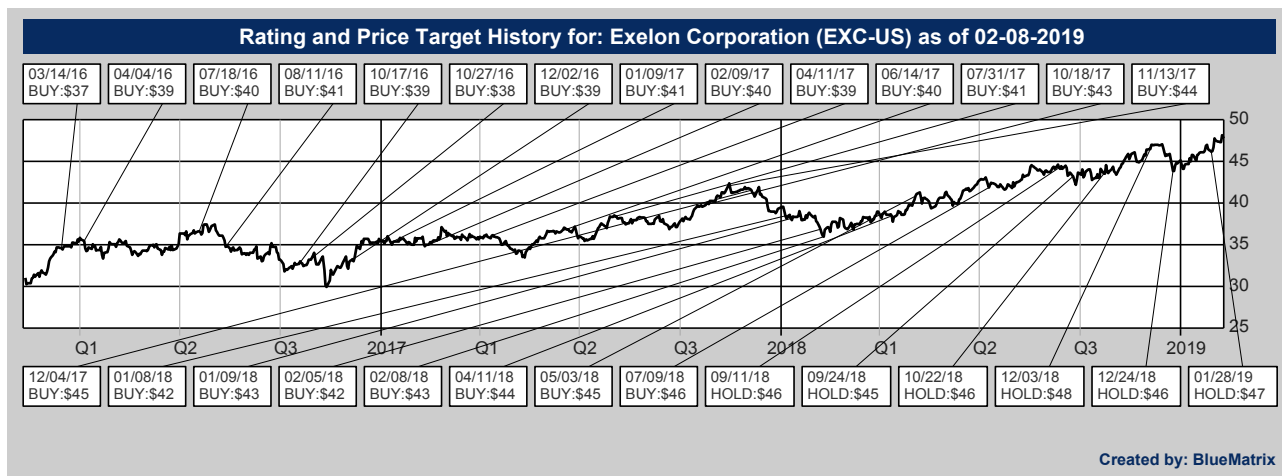
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B = Buy

H = Hold  
S = Sell  
D = Drop Coverage  
CS = Coverage Suspended  
NR = Not Rated  
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T = Transfer Coverage

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3 designations based on total returns\* within a 12-month period\*\*

- Buy – total return  $\geq$  15% (10% for low-Beta securities)\*\*\*
- Reduce – total return  $\leq$  negative 10% (5% for low Beta securities)
- Neutral – total return is within the bounds above
- NR – NOT RATED, STRH does not provide equity research coverage
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Rating	Count	Percent	Rating	Count	Percent
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11 February 2019

United States

## EQUITIES

EXC US Outperform  
Price (at 04:00, 09 Feb 2019 GMT) US\$47.72

Valuation	US\$	50.00
- PER		
12-month target	US\$	50.00
12-month TSR	%	+7.8
GICS sector		Utilities
Market cap	US\$m	46,146
30-day avg turnover	US\$m	246.4
Number shares on issue	m	967.0

## Investment fundamentals

Year end 31 Dec		2018A	2019E	2020E	2021E
EPS adj	US\$	3.12	3.16	3.15	3.17
PER adj	x	15.3	15.1	15.1	15.1
Total DPS	US\$	1.38	1.45	1.52	1.60
Total div yield	%	2.9	3.0	3.2	3.3

## EXC US rel S&amp;P 500 performance, &amp; rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, February 2019  
(all figures in USD unless noted)

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## Exelon Corp (EXC US)

### Regulated growth keeps strengthening

## Key points

- ▶ Faster growth in regulated earnings supports our positive outlook on EXC.
- ▶ Yet, FERC is delaying decisions on PJM capacity/energy market reforms and power prices are weakening.
- ▶ We reiterate Outperform and raise our TP to US\$50 from US\$48.50.

## Event

- We can live with a temporary earnings drag related to the LNG terminal and slightly higher pension costs. However, forward power prices keep weakening and FERC has yet to rule on the PJM capacity market reform or the fast start rule. EXC's stronger growth in regulated earnings is reassuring, but we crave some positive news for ExGen.
- EXC reported '18 adjusted EPS of US\$3.12 in line with consensus. Management introduced '19 EPS guidance of US\$3.00-3.30.

## Impact

- **Everett LNG facility:** EXC acquired the asset as it's the only source of fuel for its Mystic gas plants in MA. The plants will be supported by a reliability contract starting mid-2022, but until then the facility should lead to a US\$0.03/ps increase in ExGen's operating expenses. In 4Q18, ExGen was paid US\$75m to cancel its in-the-money gas contract with the LNG facility and this payment largely offsets the three years of an earnings drag related to higher O&M expenses for Everett.
- **FERC's inaction:** The Commission has not yet ruled on PJM's capacity market reform or the fast start rule, and we are concerned that the impasse could last until a replacement for Comm. McIntyre is appointed. FERC has time until mid-March to rule on PJM's new demand curve, CONE and MOPR, but we expect PJM to conduct its next capacity auction in August even if FERC fails to meet this deadline. PJM would then likely adopt its proposals for capacity market reforms as filed. With falling forward power prices and concerns around tariffs on uranium, we need a positive update on ExGen.

## Earnings and target price revision

- We've lowered our estimates to reflect a higher pension cost (US\$0.03/ps), higher O&M expenses related to the Everett LNG facility (US\$0.03/ps) as well as lower forward power curves. Our new '19/'20/'21/'22 EPS estimates are US\$3.16/3.15/3.17/3.23 down from US\$3.22/3.27/3.31/-. Despite lower estimates we've raised our TP to US\$50 from US\$48.50 to reflect a higher earnings contribution from regulated utilities. Our current and previous TP is based on our '21 SOTP valuation (Fig. 1).

## Price catalyst

- 12-month price target: US\$50.00 based on a Sum of Parts methodology.
- Catalyst: FERC's decision on PJM's capacity market reforms; updates on potential legislative support for EXC's PA nuclear plants.

## Action and recommendation

- We reiterate our Outperform rating.

Please refer to page 4 for important disclosures and analyst certification, or on our website  
[www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

Fig 1 EXC: SOTP valuation (US\$ except for FCF – US\$m)

<b>BASE CASE</b>	<b>2021 FCF (50%)</b>	<b>FCF yield</b>	
ExGen	784	7.0%	\$11.51
Regulated utilities less parent	<b>2021 EPS</b>	<b>PE</b>	
EXC's regulated utilities	2.13	17x	\$36.28
<b>Total equity value per share</b>			<b>\$47.79</b>
<b>PJM UPSIDE CASE</b>	<b>2021 FCF (50%)</b>	<b>FCF yield</b>	
ExGen	1,286	8.5%	\$15.55
Regulated utilities less parent	<b>2021 EPS</b>	<b>PE multiple</b>	
	2.13	17x	\$36.28
<b>Total equity value per share</b>			<b>\$51.84</b>

Source: Macquarie Capital (USA), February 2019

Fig 2 EXC: EPS breakdown by segment (US\$)

	2017	2018	2019E	2020E	2021E	2022E
ComEd	0.62	0.69	0.75	0.80	0.84	0.89
PECO	0.45	0.48	0.52	0.51	0.53	0.60
BGE	0.33	0.33	0.35	0.38	0.40	0.38
PHI	0.36	0.43	0.49	0.52	0.55	0.59
Parent	-0.19	-0.18	-0.20	-0.19	-0.18	-0.17
ExGen	1.03	1.38	1.26	1.13	1.03	0.93
<b>TOTAL EPS</b>	<b>2.60</b>	<b>3.12</b>	<b>3.16</b>	<b>3.15</b>	<b>3.17</b>	<b>3.23</b>

Source: Macquarie Capital (USA), February 2019

Fig 3 EXC: Financial projections (US\$m except per share data)

	2018	2019E	2020E	2021E	2022E
EBITDA	8,777	9,270	9,381	9,596	9,883
EBIT	4,977	5,436	5,415	5,437	5,528
PBT	3,746	4,021	3,990	4,016	4,096
PAT	3,026	3,064	3,055	3,071	3,149
S/O (m)	969	973	973	973	974
<b>EPS</b>	<b>\$3.12</b>	<b>\$3.15</b>	<b>\$3.14</b>	<b>\$3.16</b>	<b>\$3.23</b>
Current assets	9,996	9,362	9,382	9,339	9,377
Property, plant, and equipment	66,644	69,760	72,844	75,660	78,280
<b>Total assets</b>	<b>101,096</b>	<b>103,952</b>	<b>107,429</b>	<b>110,576</b>	<b>113,609</b>
Current liabilities	7,796	7,255	7,261	7,202	7,106
Long-term debt	24,898	26,689	28,634	30,371	31,907
Shareholders' equity	35,705	36,711	37,637	38,506	39,500
<b>Total liabilities and equity</b>	<b>101,096</b>	<b>103,952</b>	<b>107,429</b>	<b>110,576</b>	<b>113,609</b>
Net income	3,026	3,064	3,055	3,071	3,149
Operating cashflow	7,270	7,592	7,607	7,815	8,142
Investing cashflow	(7,969)	(6,950)	(7,050)	(6,975)	(6,975)
Dividends paid	(1,334)	(1,406)	(1,476)	(1,550)	(1,629)
Financing cashflow	699	(642)	(557)	(840)	(1,167)
Cash at end of period	700	700	700	700	700

Source: Macquarie Capital (USA), February 2019

## Macquarie Quant Alpha Model Views

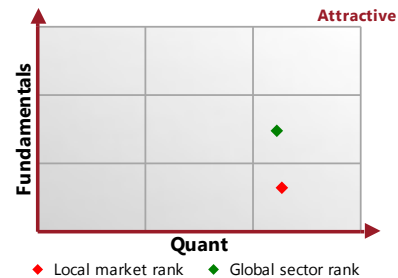
The Quant View page below has been derived from models that are developed and maintained by Sales and Trading personnel at Macquarie. The models are not a product of the Macquarie Research Department.

The quant model currently holds a reasonably positive view on Exelon Corp. The strongest style exposure is Price Momentum, indicating this stock has had strong medium to long term returns which often persist into the future. The weakest style exposure is Quality, indicating this stock is likely to have a weaker and less stable underlying earnings stream.

**116/445**

Global rank in  
Utilities

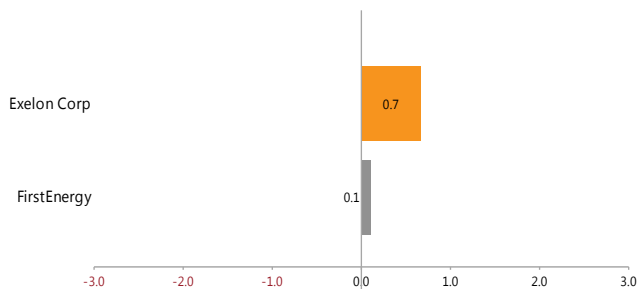
% of BUY recommendations 59% (13/22)  
Number of Price Target downgrades 1  
Number of Price Target upgrades 12



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model. Two rankings: Local market (United States) and Global sector (Utilities)

## Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



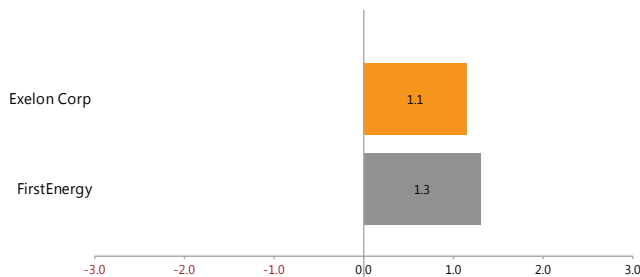
## Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



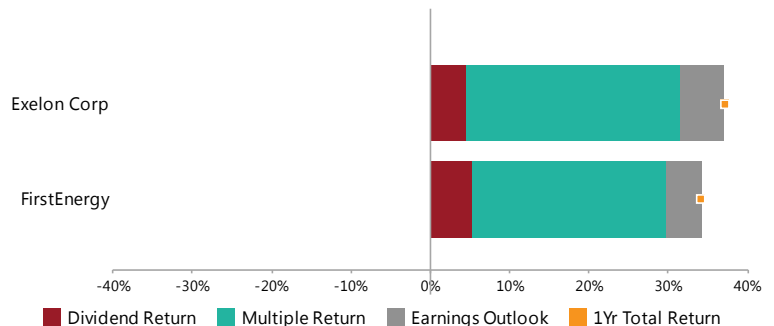
## Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



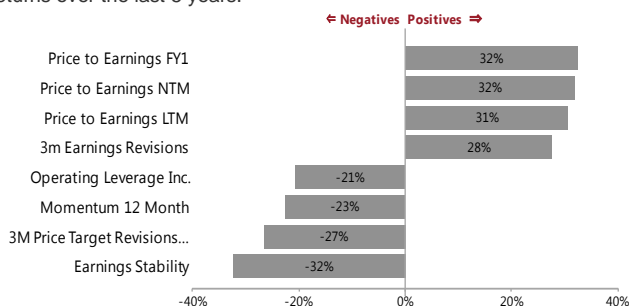
## Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



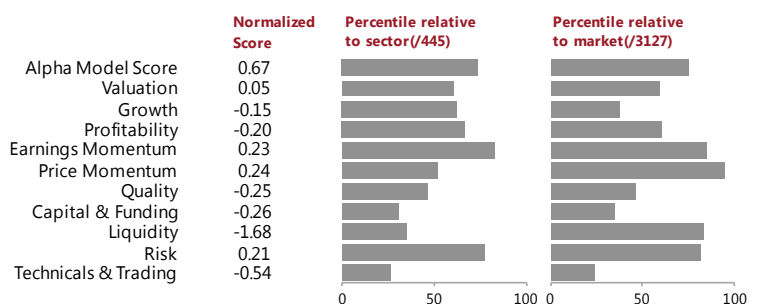
## What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



## How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group ([cpq@macquarie.com](mailto:cpq@macquarie.com))

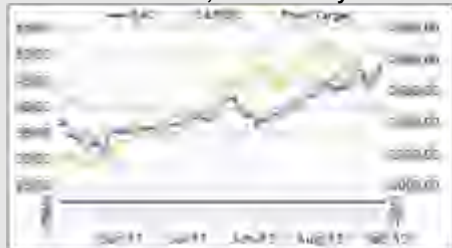
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## Recommendation proportions – For quarter ending 31 December 2018

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	53.56%	57.51%	47.06%	48.65%	69.08%	51.23%	(for global coverage by Macquarie, 4.12% of stocks followed are investment banking clients)
Neutral	31.09%	30.24%	34.12%	46.22%	26.32%	39.41%	(for global coverage by Macquarie, 1.92% of stocks followed are investment banking clients)
Underperform	15.36%	12.25%	18.82%	5.14%	4.61%	9.36%	(for global coverage by Macquarie, 0.47% of stocks followed are investment banking clients)

## EXC US vs S&amp;P 500, &amp; rec history



(all figures in USD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.  
Source: FactSet, Macquarie Research, February 2019

## 12-month target price methodology

EXC US: US\$50.00 based on a Sum of Parts methodology

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Date	Stock Code (BBG code)	Recommendation	Target Price
19-Nov-2018	EXC US	Outperform	US\$48.50
02-Nov-2018	EXC US	Outperform	US\$47.00
24-Sep-2018	EXC US	Outperform	US\$45.50
07-Aug-2018	EXC US	Outperform	US\$45.00
11-Jul-2018	EXC US	Outperform	US\$44.50
14-Nov-2017	EXC US	Outperform	US\$44.00
11-Aug-2016	EXC US	Outperform	US\$41.00

## Target price risk disclosures:

**EXC US:** Our US\$50 price target is based on our '21 SOP valuation which includes base case merchant power projections and upside case projections for the PJM power market (fast start reform). Risks to the downside include lower power prices in PJM and higher interest rates. Risks to the upside include higher capacity payments in NJ and higher energy prices in PJM from the fast start reform.

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Exelon Corp (EXC US)

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# Exelon Corp

## Shifting Cash to Higher Value/Lower Risk Utilities

### Cash Allocation Shifted Slightly to Utility CapEx; ExGen Costs up \$75mIn

On the year end conference call, Exelon shifted uses of '19-22E (up \$200mIn from 3Q to ~\$7.8BIn) ExGen available cash flow by reducing \$100mIn from ExGen growth capex and from dividend support and \$500mIn from debt reduction to increase utility capex funding by \$700mIn. ExGen expenses were also increased by \$75mIn from the lower cost savings O&M numbers announced at 3Q '18. Management still expects to achieve the cost savings announced, as the \$75mIn increase is related to pension expense (due to 4Q'18 market performance) and Mystic 8&9 costs that will be recovered in 2022 under the reliability must run contract.

### Earnings Estimates \$0.02/share lower near term; but valuation unchanged

The \$75mIn in ExGen cost increases lower EPS by ~\$0.05, while the increased utility capex and rate base growth (7.8% vs. 7.4% prior) increase utility earnings ranges by \$0.05/share through the forecast period. The lower use of cash for debt reduction lowers EPS by ~\$0.02/share. On an all in basis we are updating UBSe eps to \$3.16/\$3.12/\$3.11 from \$3.18/\$3.14/\$3.25 for '19-'21E. This is in-line with EXC's released 2019 guidance range of \$3.00-\$3.30 for 2019. Our '21 estimate was also impacted by marking to market ExGen on 2/7/19 and EXC's gross margin/hedge disclosures for that year.

### Upsides to the Story Remain

Our forecast and EXC's guidance do not include potential ExGen upside related to power market reforms: (1) ORDC in ERCOT (Summer '19), (2) ORDC in PJM (Summer '20), (3) PJM Capacity Market Reform/IL Clean Energy (Likely by August '19); and potential PA zero emission credit programs (2019?). Fast Start price reform (+\$1-\$2/MWh) will likely be completed soon, and FERC needs to rule on PJM capacity by April for an August auction to be held. The PA legislature is discussing the value of any ZEC program and action would be needed by May to reverse the announced shutdown of the TMI plant. Management indicated promising progress – we estimate a ZEC program in PA similar to NJ, including TMI at +\$0.05-\$0.10/share accretive.

### Valuation: We value EXC shares at \$53 on a SOTP Analysis

At 16.7x \$2.24 '21E UPO and 7.2x ExGen '20E Open EBITDA of \$2.3BIn.

Equities				
Americas				
Electric Utilities				
12-month rating			Buy	
12m price target			US\$53.00	
Price			US\$47.72	
RIC: EXC.N BBG: EXC US				
Trading data and key metrics				
52-wk range		US\$48.13-36.60		
Market cap.		US\$45.8bn		
Shares o/s		960m (COM)		
Free float		100%		
Avg. daily volume ('000)		1,724		
Avg. daily value (m)		US\$79.3		
Common s/h equity (12/18E)		US\$31.5bn		
P/BV (12/18E)		1.4x		
Net debt / EBITDA (12/18E)		3.7x		
EPS (UBS, diluted) (US\$)				
	12/18E			
	From	To	% ch	Cons.
Q1	0.96	0.96	0	0.96
Q2	0.71	0.71	0	0.71
Q3	0.88	0.88	0	0.88
Q4E	0.53	0.53	NM	0.58
12/18E	3.14	3.14	NM	3.12
12/19E	3.18	3.16	0	3.17
12/20E	3.14	3.12	-1	3.20

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Highlights (US\$m)	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
Revenues	29,237	31,360	33,531	34,028	34,040	34,114	34,421	35,089
EBIT (UBS)	4,510	4,879	4,032	5,467	5,570	5,479	5,425	5,616
Net earnings (UBS)	2,227	2,487	2,465	2,981	3,003	2,957	2,955	3,172
EPS (UBS, diluted) (US\$)	2.49	2.68	2.60	3.14	3.16	3.12	3.11	3.34
DPS (US\$)	1.24	1.26	1.31	1.38	1.45	1.53	1.61	1.70
Net (debt) / cash	(19,762)	(35,278)	(34,684)	(35,269)	(35,243)	(35,728)	(35,740)	(35,327)
Profitability/valuation	12/15	12/16	12/17	12/18E	12/19E	12/20E	12/21E	12/22E
EBIT margin %	15.4	15.6	12.0	16.1	16.4	16.1	15.8	16.0
ROIC (EBIT) %	8.9	7.5	5.0	6.5	6.5	6.2	6.0	6.2
EV/EBITDA (core) x	8.1	7.3	9.4	9.1	8.8	8.7	8.6	8.3
P/E (UBS, diluted) x	12.8	12.5	14.4	15.2	15.1	15.3	15.3	14.3
Equity FCF (UBS) yield %	(.0)	(1.2)	(1.1)	1.1	3.1	2.1	3.3	4.4
Net dividend yield %	3.9	3.8	3.5	2.9	3.0	3.2	3.4	3.6

Source: Company accounts, Thomson Reuters, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US\$47.72 on 08 Feb 2019 19:35 EST

Figure 1: Exelon Utilities Operating Earnings per Share Guidance

As of	2018	2019	2020	2021	2022
Q3 2018	\$1.50-\$1.80	\$1.70-\$2.00	\$1.80-\$2.10	\$1.90-\$2.20	n/a
Q4 2018	\$1.74	\$1.75-\$2.05	\$1.85-\$2.15	\$1.95-\$2.25	\$2.15-\$2.45

NOTE: inclusive of after tax interest expense held at corporate for debt cost associated with utility investment

Source: Exelon 4Q 2018 Earnings Results Presentation, UBS estimates

Figure 2: ExGen O&M and CapEx Forecast, US\$mIn

As of		2019	2020	2021	2022
Q4 2018					
O&M		4,325	4,250	4,200	4,200
CapEx		1,900	1,925	1,750	1,525
Q3 2018	2018	2019	2020	2021	2022
O&M	4,625	4,250	4,175	4,125	
CapEx	2,275	1,850	1,825	1,825	
% Change					
O&M		1.8%	1.8%	1.8%	
CapEx		2.7%	5.5%	-4.1%	

Source: Exelon 4Q 2018 Earnings Results Presentation, UBS estimates

Figure 3: Exelon Utilities CapEx Forecast, US\$mIn

As of Q4 2018						
		2019	2020	2021	2022	
ComEd		1,875	2,150	2,175	2,425	
PECO		725	1,000	975	975	
BGE		1,100	1,250	1,075	950	
PHI		1,375	1,525	1,550	1,550	
TOTAL		5,075	5,925	5,775	5,900	22,675
As of Q3 2018						
	2018	2019	2020	2021		
ComEd	2,125	1,725	1,850	1,850		
PECO	800	850	825	825		
BGE	1,000	1,100	1,050	1,000		
PHI	1,500	1,400	1,500	1,500		
TOTAL	5,425	5,075	5,225	5,175		20,900
% Change		0.0%	13.4%	11.6%		8.5%

Source: Exelon 4Q 2018 Earnings Results Presentation, UBS estimates

Figure 4: Exelon Utilities Rate Base Forecast, US\$BIn

As of Q4 2018						
	2018	2019	2020	2021	2022	
ComEd	14.2	15.6	16.7	18.0	19.2	
PECO	7.1	7.9	8.4	9.1	9.7	
BGE	6.3	6.9	7.7	8.1	8.7	
PHI	10.0	10.8	11.4	12.1	13.1	
TOTAL	37.6	41.2	44.2	47.3	50.7	7.76%
As of Q3 2017						
	2017	2018	2019	2020	2021	
ComEd	13.1	14.5	15.6	16.6	17.4	
PECO	6.6	7.1	7.6	8.0	8.6	
BGE	5.7	6.4	6.9	7.6	8.0	
PHI	9.2	9.9	10.6	11.3	12.0	
TOTAL	34.6	37.9	40.7	43.5	46.0	7.38%
% Change		-0.8%	1.2%	1.6%	2.8%	

Source: Exelon 4Q 2018 Earnings Results Presentation

**Forecast returns**

Forecast price appreciation	+11.1%
Forecast dividend yield	3.0%
Forecast stock return	+14.1%
Market return assumption	7.5%
Forecast excess return	+6.6%

**Valuation Method and Risk Statement**

We value Exelon at \$53/share on a sum of the parts analysis. We value Exelon's Utility and Parent Only (UPO) at a net 12% premium to the group multiple of 16.7x our \$2.24/share UPO earnings forecast for 2021. Our 12% net premium is derived from a 5% premium for the overall regulated utility group, premised upon the current undervaluation versus the Baa corporate bond rounded down to the nearest 5%, a 2% premium for a 2nd quartile regulatory ranking overall, and 5% premium for 1st quartile earnings growth. This yields \$42/share. We value the ExGen competitive generation business at a 7.2x our 2020 estimated Open EBITDA of \$2,313mln, plus NPV of hedges of \$0.2Bln less net debt of \$6.2Bln which yields \$11/share.

Specific risks for Exelon include natural gas prices, power prices, nuclear operational risks, regulatory risks at the Pepco utilities, weather, interest rates, and relative cost of coal and uranium.

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Sell	FSR is > 6% below the MRA.	14%	14%
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Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 31 December 2018.  
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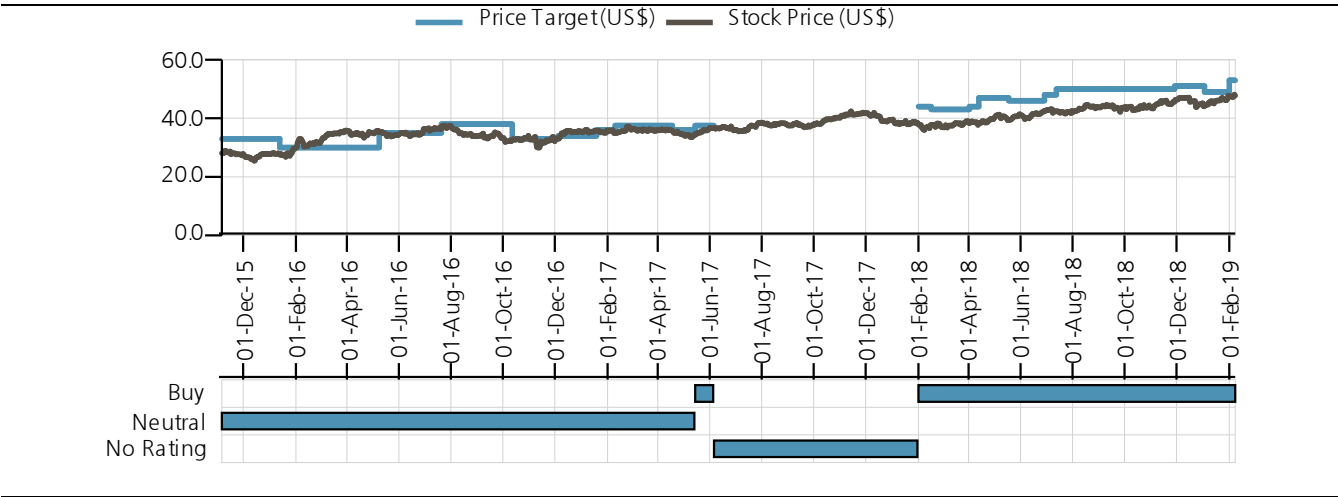
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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Exelon Corp <sup>7, 16</sup>	EXC.N	Buy	N/A	US\$47.72	08 Feb 2019

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**Exelon Corp (US\$)**



Date	Stock Price (US\$)	Price Target (US\$)	Rating
2015-11-06	28.09	33.0	Neutral
2016-01-13	27.54	30.0	Neutral
2016-05-09	35.25	35.0	Neutral
2016-07-21	36.46	38.0	Neutral
2016-10-12	32.51	33.0	Neutral
2016-12-05	33.32	34.0	Neutral
2017-01-19	35.74	36.0	Neutral
2017-02-10	35.02	37.5	Neutral
2017-04-18	35.78	36.0	Neutral
2017-05-15	34.7	37.5	Buy
2017-06-06	36.69	-	No Rating
2018-02-01	37.84	44.0	Buy
2018-02-16	37.78	43.0	Buy
2018-04-02	38.26	44.0	Buy
2018-04-13	38.34	47.0	Buy
2018-05-18	39.44	46.0	Buy
2018-06-29	42.6	48.0	Buy
2018-07-13	42.39	50.0	Buy
2018-11-29	45.67	51.0	Buy
2019-01-03	44.12	49.0	Buy
2019-02-01	47.46	53.0	Buy

Source: UBS; as of 08 Feb 2019

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February 8, 2019 | Equity Research



## Exelon Corporation

### EXC: Exelon Utilities Remain Center Stage

### Market Perform/\$50

Diversified Electric Utilities  
Market Weight

### Earnings Estimates Revised Up

• **Summary.** EXC rolled out '19 EPS guidance range, updated capex and rate base for Exelon Utilities and hedged and open gross margins for ExGen through '21. Overall, we viewed the updated disclosures positively as (1) they are generally supportive of our existing EPS outlook and (2) represent a further shift towards the lower risk/higher valuation multiple regulated utility operations vs. the IPP operations. **By '22, we forecast Exelon Utilities (including allocated parent interest expense) will comprise over 70% of consolidated EPS vs. 55% in '18.** And if not, it will likely be because of positive power market developments. The shift toward regulated is being driven by strong growth at Utilities (bolstered by higher planned capex spend) along with declining EPS at ExGen (as largely expected). However, our EPS outlook for ExGen could prove to be conservative depending upon the outcome of capacity and power market reforms currently pending at the FERC. Our 19-22E EPS go to/from \$3.15/\$3.10, \$3.10/\$3.10, \$3.10/\$3.15 & \$3.25/\$3.25. Our Market Perform rating reflects valuation considerations as shares are near our forward price target of \$50/sh (up from \$47/sh).

• **EPS Outlook.** EXC initiated '19 guidance of \$3.00-3.30, the midpoint of which was near the consensus estimate of \$3.17 and above our prior estimate of \$3.10. EXC also layered in an additional \$1.5B of regulated capex during '19-21 - sprinkled across all of the utilities - and now projects a nearly 8% rate base CAGR during '19-22. EXC further projects Exelon Utilities' EPS will continue to grow at a strong 6-8% CAGR off of the 18A of \$1.74 (our EPS outlook reflects the top end of the range). As for ExGen, the rolling forward of the hedged and open gross margins through '21 shows the backwardation in the forward power curves as hedged and open margins are \$250mm & \$300mm lower than '20 (implies lower EPS of \$0.20-0.25 in '21 vs '20 - all else equal). While our EPS outlook is consistent with ExGen's existing hedged gross margin projections through '21, we are mindful that pending energy market price formation reforms (fast start pricing) could have a positive impact on power prices. We estimate that a +\$2/MWh impact would add \$250-300mm to pre-tax earnings, or \$0.20-0.25 after-tax. A FERC decision is expected in '19.

\$	2018A	2019E	2020E
EPS		Curr.	Prior
Q1 (Mar.)	0.96	0.85	NE
Q2 (June)	0.71	0.75	NE
Q3 (Sep.)	0.88	0.90	NE
Q4 (Dec.)	0.58	0.65	NE
FY	3.12	3.15	3.10
CY	3.12	3.15	3.10
FY P/EPS	15.3x	15.2x	15.4x
Rev.(MM)	25,756	25,856	26,065

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile  
EPS from continuing operations.

Ticker	EXC
Price Target/Prior:	\$50/\$48
Price (02/08/2019)	\$47.72
52-Week Range:	\$35-49
Shares Outstanding: (MM)	967.0
Market Cap.: (MM)	\$46,145.2
S&P 500:	2,707.88
Avg. Daily Vol.:	5,376,640
Dividend/Yield:	\$1.45/3.0%
LT Debt: (MM)	\$34,075.0
LT Debt/Total Cap.:	49.2%
ROE:	9.0%
3-5 Yr. Est. Growth Rate:	4.0%
CY 2019 Est. P/EPS-to-Growth:	3.8x
Last Reporting Date:	02/08/2019
	Before Open

NC = No Change

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Utilities

Equity Research

<b>EXC Earnings Model</b> (in millions except per share data)								
	2015	2016	2017	2018	2019E	2020E	2021E	2022E
<b>Revenues</b>								
Total	\$29,447	\$31,360	\$33,531	\$25,756	\$25,856	\$26,065	\$26,367	\$26,884
<b>Operating Expenses</b>								
Purchased Power*	\$13,084	\$12,640	\$14,035	\$5,833	\$5,836	\$5,848	\$5,861	\$5,887
Fuel	0	0	0	1,056	1,026	980	980	980
Other O&M	8,322	10,049	10,126	8,643	8,478	8,463	8,490	8,548
Depreciation & Amortization	2,450	3,936	3,828	3,454	3,669	3,875	4,089	4,291
Other Taxes	1,182	1,624	1,728	1,662	1,686	1,710	1,735	1,760
Other	0	0	(446)	0	0	0	0	0
<b>Total</b>	<b>\$25,038</b>	<b>\$28,248</b>	<b>\$29,271</b>	<b>\$20,648</b>	<b>\$20,695</b>	<b>\$20,875</b>	<b>\$21,155</b>	<b>\$21,465</b>
<b>EBIT</b>	<b>\$4,409</b>	<b>\$3,112</b>	<b>\$4,260</b>	<b>\$5,108</b>	<b>\$5,161</b>	<b>\$5,190</b>	<b>\$5,212</b>	<b>\$5,419</b>
Other Income & Interest Expense	(\$1,086)	(\$1,147)	(\$536)	(\$1,131)	(\$1,146)	(\$1,224)	(\$1,244)	(\$1,253)
Income Taxes	\$1,073	\$761	(\$125)	\$880	\$892	\$888	\$885	\$933
<b>Earnings</b>								
Net Income	\$2,250	\$1,204	\$3,849	\$3,097	\$3,124	\$3,078	\$3,082	\$3,233
Discontinued Operations	0	0	0	0	0	0	0	0
Preferred Stock Dividends	19	(70)	(77)	(77)	(77)	(77)	(77)	(77)
<b>Earnings available for common</b>	<b>\$2,269</b>	<b>\$1,134</b>	<b>\$3,772</b>	<b>\$3,020</b>	<b>\$3,047</b>	<b>\$3,001</b>	<b>\$3,005</b>	<b>\$3,156</b>
Avg Common Shrs Outstanding - Diluted	893	927	949	967	968	969	970	971
EPS	\$2.54	\$1.22	\$3.97	\$3.12	\$3.15	\$3.10	\$3.10	\$3.25
Extraordinary Item	0.05	(1.46)	1.37	0.00	0.00	0.00	0.00	0.00
Reconciling Adjustment		0.00						
<b>Operating EPS</b>	<b>\$2.49</b>	<b>\$2.68</b>	<b>\$2.60</b>	<b>\$3.12</b>	<b>\$3.15</b>	<b>\$3.10</b>	<b>\$3.10</b>	<b>\$3.25</b>
<b>EPS By Segment</b>								
<b>Utilities</b>								
ComEd				0.70	0.75	0.79	0.85	0.92
PECO				0.46	0.50	0.50	0.53	0.56
BGE				0.30	0.35	0.39	0.41	0.44
Potomac				0.24	0.25	0.27	0.28	0.30
DPL				0.13	0.15	0.15	0.16	0.16
ACE				0.10	0.11	0.12	0.13	0.14
<b>Total Utilities</b>				<b>1.92</b>	<b>2.09</b>	<b>2.22</b>	<b>2.37</b>	<b>2.52</b>
Generation				1.40	1.25	1.07	0.92	0.90
Other				(0.19)	(0.19)	(0.20)	(0.20)	(0.17)
Reconciling Adjustment								
<b>Total EXC</b>				<b>\$3.12</b>	<b>\$3.15</b>	<b>\$3.10</b>	<b>\$3.10</b>	<b>\$3.25</b>
<b>Dividends</b>								
Dividends Per Share - YE Rate	\$1.24	\$1.27	\$1.31	\$1.38	\$1.45	\$1.49	\$1.52	\$1.56
Dividends Paid Per Share	\$1.24	\$1.26	\$1.31	\$1.38	\$1.45	\$1.52	\$1.60	\$1.68
Payout Ratio	50%	47%	50%	44%	46%	49%	52%	52%
<b>Statistics</b>								
Book Value / Share (year end)	\$28.04	\$27.96	\$31.00	\$32.85	\$34.65	\$36.33	\$37.93	\$39.60
Average Book Value / Share	\$27.16	\$28.00	\$29.48	\$31.93	\$33.75	\$35.49	\$37.13	\$38.77
ROE (%)	9.2	9.6	8.8	9.8	9.3	8.7	8.3	8.4
Cash Flow / Share	\$8.53	\$9.11	\$7.88	\$8.42	\$8.14	\$8.35	\$8.38	\$8.58
<b>FFO / Debt</b>	<b>24%</b>	<b>21%</b>	<b>22%</b>	<b>22%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>
<b>Debt / EBITDA (X)</b>	<b>5.0</b>	<b>4.4</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.1</b>

Source: Wells Fargo Securities, LLC estimates and company filings

Exelon Corporation

Equity Research

EXC Cash Flow Model (in millions)	2015	2016	2017	2018	2019E	2020E	2021E	2022E
<b>Operating Cash Flow</b>								
Net Income	\$2,250	\$1,204	\$3,849	\$3,097	\$3,124	\$3,078	\$3,082	\$3,233
Depreciation & Amortization (incl. nuclear fuel)	3,987	5,576	5,427	4,404	4,569	4,775	4,864	4,916
Other	1,643	2,146	19	675	320	295	345	346
Working Capital	(264)	(481)	(1,815)	(35)	(135)	(60)	(160)	(160)
<b>Net Operating Cash flow</b>	<b>\$7,616</b>	<b>\$8,445</b>	<b>\$7,480</b>	<b>\$8,140</b>	<b>\$7,878</b>	<b>\$8,089</b>	<b>\$8,132</b>	<b>\$8,335</b>
<b>Investing Cash Flow</b>								
Capital Expenditures	(\$7,624)	(\$8,553)	(\$7,584)	(\$7,925)	(\$7,350)	(\$7,975)	(\$7,550)	(\$7,500)
Other	(198)	(6,950)	(350)	(25)	(25)	(25)	(25)	(25)
<b>Net Investing Cash Flow</b>	<b>(\$7,822)</b>	<b>(\$15,503)</b>	<b>(\$7,934)</b>	<b>(\$7,950)</b>	<b>(\$7,375)</b>	<b>(\$8,000)</b>	<b>(\$7,575)</b>	<b>(\$7,525)</b>
<b>Financing Cash Flow</b>								
Issuance of LT Debt - Utilities	6,709	4,716	3,470	3,150	1,675	3,300	2,775	2,925
Issuance of Projected Debt	0	0	0	0	0	0	0	0
Retirement of LT Debt - Parent	(2,687)	(1,936)	(2,790)	(2,075)	(959)	(3,564)	(1,513)	(3,084)
ST Debt (net)	80	(575)	(340)	0	0	0	0	0
Dividends on Common Stock	(1,105)	(1,166)	(1,236)	(1,330)	(1,398)	(1,470)	(1,545)	(1,624)
Proceeds from Employee Stock Plans	32	55	150	50	50	50	50	50
Other	(67)	97	313	0	0	0	0	0
<b>Net Financing Cash Flow</b>	<b>\$4,830</b>	<b>\$1,191</b>	<b>\$717</b>	<b>(\$205)</b>	<b>(\$632)</b>	<b>(\$434)</b>	<b>(\$233)</b>	<b>(\$1,233)</b>
Net Change in Cash	\$4,624	(\$5,867)	\$263	(\$15)	(\$129)	(\$345)	\$324	(\$422)
Cash at beginning of period	1,878	6,502	635	898	883	755	410	734
<b>Cash at end of period</b>	<b>\$6,502</b>	<b>\$635</b>	<b>\$898</b>	<b>\$883</b>	<b>\$755</b>	<b>\$410</b>	<b>\$734</b>	<b>\$311</b>
<b>Capital Structure</b>								
Common Equity	\$25,793	\$25,837	\$29,857	\$31,674	\$33,449	\$35,108	\$36,695	\$38,355
LT Debt	23,645	31,575	32,176	35,326	36,042	37,028	38,290	38,631
ST Debt	2,033	3,697	3,017	942	942	942	942	942
Preferred Equity	193	0	0	0	0	0	0	0
<b>Total Capitalization</b>	<b>\$51,664</b>	<b>\$61,109</b>	<b>\$65,050</b>	<b>\$67,942</b>	<b>\$70,433</b>	<b>\$73,078</b>	<b>\$75,927</b>	<b>\$77,928</b>
% Equity	50	42	46	47	47	48	48	49
% Long-Term Debt	46	52	49	52	51	51	50	50
% Short-Term Debt	4	6	5	1	1	1	1	1
% Preferred Equity	0	0	0	0	0	0	0	0

Source: Wells Fargo Securities, LLC estimates and company filings

**Acronyms**

FERC – Federal Energy Regulatory Commission

IPP – Independent Power Producer

**Price Target**

Price Target: \$50 from \$48

Our \$50/sh price target is premised on a sum-of-the-parts analysis (1) Utility & Parent value of \$41.00/sh (based on a 2.5% premium to the 2019 Regulated Electric P/E median of 20.0X our 2020E of \$2.02), (2) \$14.00/sh for ExGen using a DCF analysis and (3) -\$5.00/sh to reflect use of ExGen cash flows at Utility. Risks include commodity price sensitivity and unfavorable regulatory/policy developments.

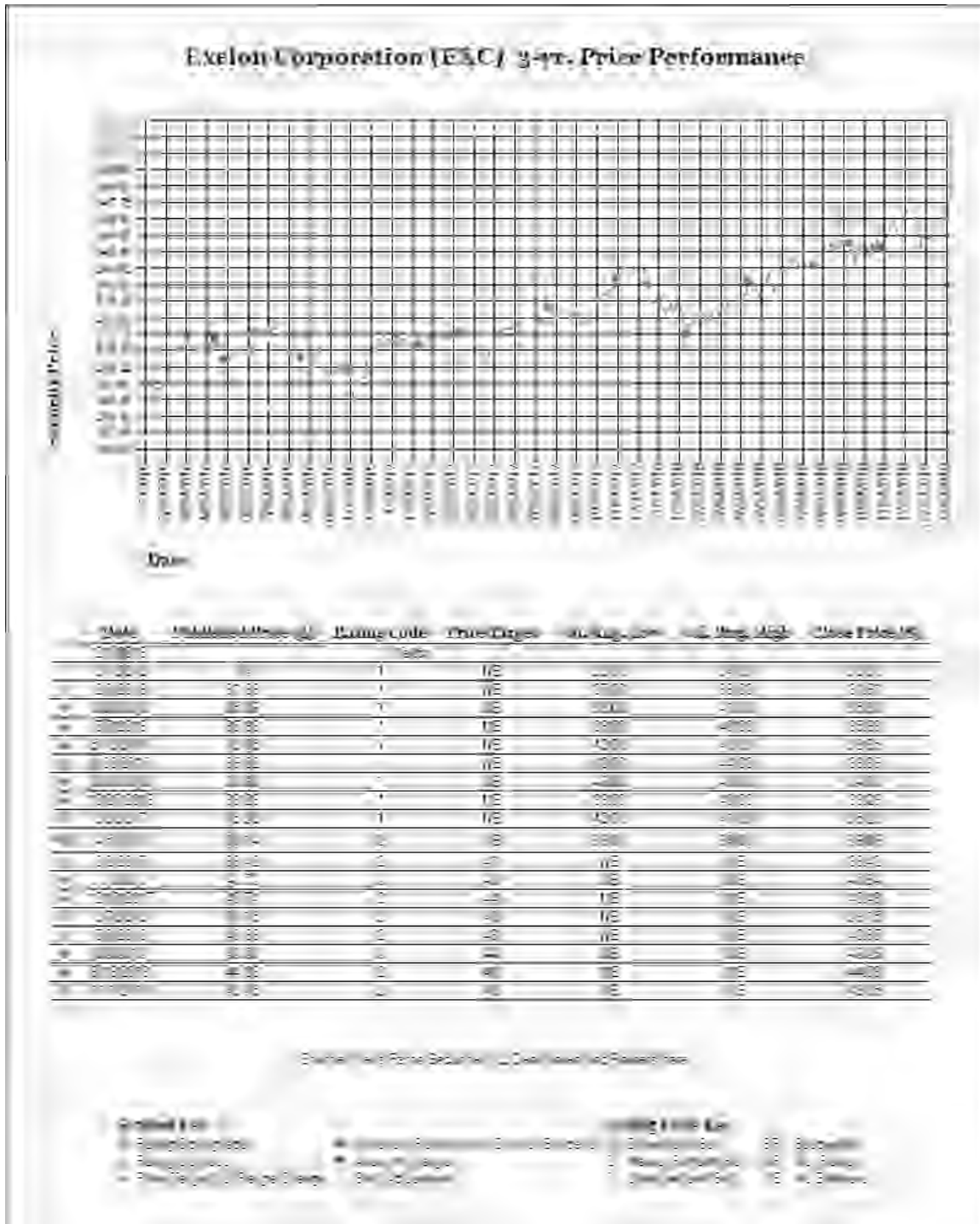
**Investment Thesis**

Our Market Perform rating reflects our belief that shares adequately reflect the value of the nuclear fleet given uncertainties related to legal challenges.

**Company Description**

Exelon Corporation was formed in October 2000 through the merger of Unicom, which was the parent company of Commonwealth Edison (ComEd) and PECO Energy (PECO). The company's business segments include independent power production (Exelon Generation) and Energy Delivery (ComEd and PECO). Exelon Generation owns approximately 25,000 MW of unregulated electric generating capacity, primarily located in Illinois and Pennsylvania. The company's 17,000 MW nuclear fleet is the largest in the nation. Generation currently accounts for approximately 70% of EXC's overall earnings. The Energy Delivery businesses serve roughly 3.8 million electric distribution customers in Northern Illinois (ComEd) and approximately 1.6 million electric and 0.5 million natural gas distribution customers in Southeastern Pennsylvania (PECO).

## Required Disclosures



Additional Information Available Upon Request

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**2=Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

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#### SECTOR RATING

**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**M=Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**U=Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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As of: February 8, 2019

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## GUGGENHEIM

February 8, 2019

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212 651 0847**EXC****Exelon Corporation**  
**Sector: Power, Utilities & Alternative**  
**Energy****BUY****Earnings Release**

Share Price	\$47.73
Price Target	\$53.00

EPS (\$)	1Q	2Q	3Q	4Q	FY
(FY DEC)					
2018	0.96	0.71	0.88	0.58	3.12
Prior	—	—	—	0.54	3.09
P/E					15.3x
2019	0.87E	0.74E	0.99E	0.56E	3.16E
P/E					15.1x
2020	0.87E	0.67E	1.12E	0.59E	3.25E
P/E					14.7x

**Market Data**

52-Week Range	\$35.87 - \$48.17
Dividend	\$1.05
Dividend Yield	2.2%
Market Cap (M)	\$46,489
Shares Out (M)	965.9
ADV (3 mo; 000)	5,676

**EXC – What's with the Concerns? Better-Than-Expected Utility Growth, Improving Mix Coupled w/ ExGen Upside**

**Key message:** Exelon remains a very strong story in our view, with healthy utility growth funded by robust cash flows from the genco. Today's 2019 guidance and subsequent share pressure reinforces our view that some investors may be overlooking key facets of the story – most importantly that the backwardation in gross margin, which was well-within our expectations, does not reflect multiple incremental items that remain outstanding, e.g. PA ZECs, the ORDC in ERCOT, price formation, federal policy, etc. While O&M pressure was a modest surprise, incremental revenue items should mitigate impact. The base reality following today is that utility growth outpaces ExGen impact. Reiterate Buy.

**EXC reported 4Q18 performance of \$0.58, and full year 2018 earnings of \$3.12, driven by favorable weather at the utilities, higher T&D revenues, and solid performance at ExGen...** EXC reported 4Q18 operating earnings of \$0.58, beating our estimate of \$0.54 and consensus of \$0.58, while concurrently introducing its 2019 EPS guidance range of \$3.00 to \$3.30 (vs. our current \$3.16). Management also introduced 1Q19 guidance of \$0.80 to \$0.90 vs. our current \$0.87. At ExGen, gross margin guidance for 2021 was introduced, with the 2020 margin slightly lower – guidance now stands at \$7,650/\$7,400/\$7,150 for 2019/2020/2021, generally in line to slightly weaker than our currently-modeled \$7,700/\$7,550/\$7,300. Both our model and management's guidance are marked to December curves.

**We think concerns over backwardation at ExGen are overdone...** As of our most recent model mark (for our outlook - available [HERE](#)) we are very close to EXC's gross margin estimates. That said, if investors are concerned about the gross margin, **we highlight that there are several incremental policy items that provide potential upside in the near term, including Pennsylvania ZECs (EXC owns ~4.5GW of nuclear in PA alone), changes to the ORDC in ERCOT, etc.** On the first item we note that management set a firm deadline of May 2019 for the ordering of a new fuel load for Three Mile Island Unit 1, with discussions ongoing in the PA State Legislature. As a reminder, a Co-Sponsorship Memoranda (see [HERE](#)) was introduced on February 4<sup>th</sup> calling for the inclusion of nuclear in the state's renewable portfolio standards. On the second item, ERCOT, we note that while the precise impact of the ORDC shift for 2019 remains as yet unquantified by management, the shift combined with a 7.4% reserve margin should make for a relatively favorable summer. Importantly, EXC remains relatively open in ERCOT, seeking to capitalize on the potential for scarcity in summer 2019. **Overall, we think today's move after the release is an overreaction, and overlooks a fast-growing regulated business that is driven by a track record of execution at the PHI utilities. Additional policy items that could lend to further ExGen "uplift" vs current guide include reforms around energy price formation and PJM capacity market construct. See our research notes on these topics below.**

**Pension and the Everett LNG terminal drive O&M higher at ExGen, but we don't see either of these as major concerns and the drag is minor.** Management disclosed a slightly lower guide for O&M improvement at ExGen, with pension expense and the Everett LNG Terminal acquisition contributing to roughly \$0.06 of drag from 2029-2021. The drag was roughly even between each of these factors, with management reiterating that the Everett's will reverse as the facility comes under FERC cost of service rates in mid-2022. Finally, we highlight our viewpoint that there remain numerous opportunities for synergies at the nuclear fleet (e.g. operating Nine Mile and Fitzpatrick as one). We specifically asked management about these ongoing efforts on the call, and they indicated that reviews remain ongoing – anything to come of these efforts would be incremental to the most recent (~\$150mm) cuts previously announced with 3Q18 results (see our note [HERE](#)) – could see further updates in the Fall.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

EXELON CORPORATION

February 8, 2019

**A regular boring utility with growth at the top end of 6-8%? Exelon has that too.** The YE update brought a suite of positive data points for the utilities, with the steady cadence of rate cases yielding stronger ROEs at PHI (8.7% vs. 7.7% in 4Q17). **Management remains on track to execute on its plan to have PHI earning within the 9-10% ROE band by the end of 2019.** On the investment front, capex for the new 4-year cycle was boosted vs. 2018-2021, with \$700mm in additional spending to be allocated through 2022. Management also indicated that there remain ample opportunities for distribution level spending, with DER-driven feeder upgrades and undergrounding initiatives as examples of low-hanging fruit. **Finally, we note that both the top and bottom ends of the guidance range for the utilities were boosted by \$0.05 in every year of the outlook period, bringing 2019 to \$1.75-2.05, 2020 to \$1.85-2.15, 2021 to \$1.95-2.25, and 2022 was introduced at \$2.15-2.45. This compares to currently modeled estimates of \$1.93/\$2.13/\$2.30/\$2.43 for '19-'22. Both management and our numbers continue point towards the upper end of the growth range.**

**State and federal policies remain incremental positives for Exelon, both in and out of our forecast period...** We continue to flag that policies on the state and federal levels present incremental positives for EXC. Most immediately we are monitoring the aforementioned PA ZEC legislation, in addition to fast start at FERC, as both of these items stand to be incremental to the 2019-2022 forecast period. It remains unclear at this time how the broader legislature is reacting to current push by the Nuclear Caucus, but we remain of the view that some sort of action is likely this spring. On the FERC front fast start and broader price reform remain NT positives (the PJM Board announced earlier this week it would seek FERC implementation of price formation changes by summer 2020), although our conversations with corporates and experts (see our recap of our recent call with PJM's former Chief Economist [HERE](#)) lead us to believe the ultimate impact may be modest. Beyond these changes we continue to look out for a decision from FERC on PJM's proposed reforms to the capacity market, however turbulence at the Commission has slowed this process. **Our conversations with stakeholders and experts (see link above) lead us to believe that a decision may not be coming until later this spring, with the August auction window likely delayed further.** Regardless of the ultimate outcome we continue to see EXC as well-positioned, with state policies providing a 'floor' to the nuclear fleet. Finally on a more perfunctory note, we continue to look out for regulatory developments in the states, with PA now allowing performance based ratemaking and MD exploring formula rates.

**For our evolving thoughts around PJM's 2018 capacity market changes, see our recent research notes here:**

#### **FERC Docket (October 2018 – Present)**

##### **1. Reply Briefs – November 2018**

a. PJM: No Country for Common Ground; Reply Briefs Land at FERC (see our note [HERE](#))

##### **2. Initial Briefs – October 2018**

a. PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show (see our note [HERE](#))

#### **PJM Stakeholder Process (June-October 2018)**

**3. PJM Update:** Capacity Market Reform Process Grinds On, Still Too Early to Make Any Calls (see our note [HERE](#))

**4. PJM: Initial Comments Indicate Divergent Opinions on Capacity Reforms But We Will Get to the Correct Endgame Supporting GenCos** (see our note [HERE](#))

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

EXELON CORPORATION

February 8, 2019

**Valuation**

Our \$53 price target is based on a sum-of-the-parts analysis. We assign ~\$21/share (for ExGen using a 5.5x weighted average EV/EBITDA applied to ExGen's various assets. We assign \$36/share for the regulated utilities combined based on our 2020E EPS of \$2.13 applied to a 17x regulated utility multiple, which is based on our regression model using the correlation between electric utility valuations and forward interest rate expectations over the past 30+ years. Subtracting out ~\$3 in parent drag and discounting back a full year, we arrive at our 12-month price target of \$53.

**Risks**

Commodity price risk. If natural gas prices fall (rise), wholesale power prices will likely fall (rise), limiting (raising) Power margins. EXC is still inherently a long natural gas call with gas the marginal price setter in PJM.

The remaining risks center on the regulated utilities and transmission assets, which encompass traditional risk factors inherent with all utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

EXELON CORPORATION

February 8, 2019

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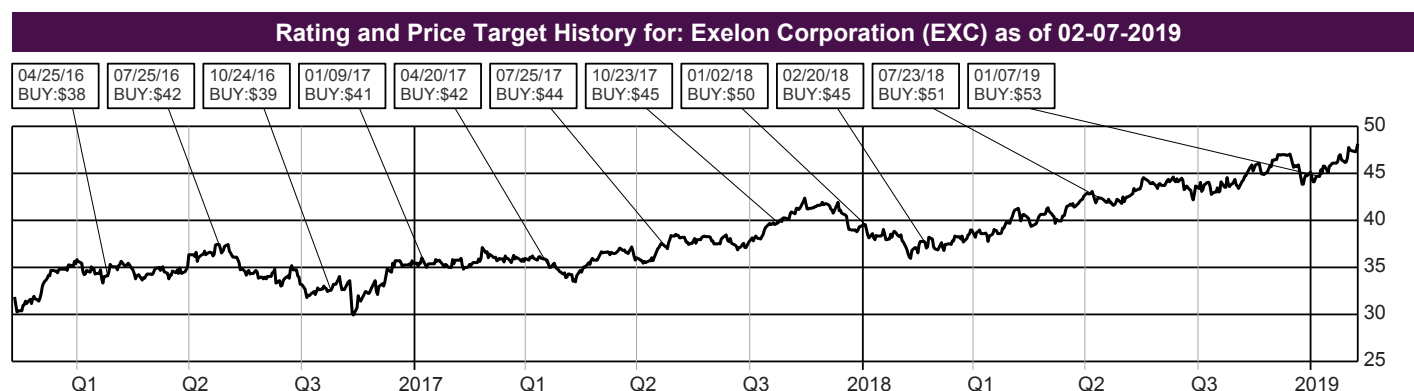
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## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

EXELON CORPORATION

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## COMPANY UPDATE

Friday, February 8, 2019

## Exelon Corporation

## Improving Mix

**QUICK TAKE:** We remain bullish on EXC, which is our preferred stock for utility investors seeking beta. Management continues to find success in improving utility ROEs, while also raising utility capex and the LT earnings outlook. Simultaneously, while the earnings outlook at ExGen has modestly weakened, FCF generation looks strong to us. Combined, we see the overall company's earnings mix and credit risk profile improving even more rapidly than we - or management - had previously expected. While the ~14% consolidated P/E discount vs. our utility coverage isn't surprising directionally given the merchant power exposure, we see it as overdone, as we see upside to the valuation on a SOTP basis; we have increased our TP to \$50 (from \$48) given higher utility earnings and a slightly higher multiple given the improved mix/balance sheet. EXC reported 4Q18 EPS of \$0.58, slightly ahead of us/consensus of \$0.56/\$0.57, and introduced 2019 EPS guidance of \$3.00-\$3.30, essentially framing our/consensus forecasts of \$3.14/\$3.17.

## KEY POINTS

**Strong Utility Guidance Updates:** We're most focused and impressed with the \$0.05/sh increase to the utility EPS guidance ranges for 2019-2021 (increases of ~2.5%). This supports 6%-8% annual growth, consistent with the prior guidance, but reflects a higher 2018 base. Impressively, the new introduction of 2022 utility EPS guidance calls for an even faster Y/Y increase of ~9.5% at the midpoints. We see the increases as being primarily a result of the increased capex outlook. On an 2019-2021 apples-to-apples basis, EXC added \$1.5B, or 10%; the rolling four-year outlook was increased by \$2B (also ~10%), accelerating the rate base CAGR to 7.8% from 7.4% and ahead of peers at ~6%-7%. Management attributes the higher spending to better visibility into needs, which we take to mean the removal of some conservatism.

**Continued Progress on Utility ROEs:** A cornerstone to our bullish thesis on EXC is the ongoing improvement in utility ROEs, particularly at PHI, and the company continues to deliver better than many investors had expected. On a consolidated basis, the earned ROE of 9.7% was slightly better than 9.6% on a TTM basis through 3Q18 and 9.5% in FY17. Though legacy utilities and ACE saw sequential declines, Delmarva and Pepco saw solid improvement thanks in large part to recent rate cases. EXC continues to expect 9%-10% earned ROEs in 2019, which we believe should be highly achievable given recent wins (it also helps that ~63% of the rate base growth planned through 2022 will be recovered through existing trackers and formula rates). We attribute this ongoing improvement to a combination of operational upgrades and a highly successful regulatory strategy. Exelon was busy on the regulatory front in 2018, completing 13 T&D cases, including six "constructive" settlements out of eight distribution rate filings. Since

Qtly Adj EPS (FD)	Q1	Q2	Q3	Q4	Year	Price/Adj. EPS
2017A	\$0.65	\$0.56	\$0.85	\$0.56	\$2.62	15.0x
2018A	\$0.96	\$0.71	\$0.88	\$0.58	\$3.12	14.4x
2019E	\$0.72	\$0.64	\$1.07	\$0.71	\$3.14	15.3x
2020E	\$0.80	\$0.66	\$1.03	\$0.70	\$3.19	15.1x
(FY-Dec.)	2017A	2018A	2019E	2020E		
EPS growth (y/y)	(2.4)%	19.2%	0.5%	1.8%		
Dividends per Share	\$1.31	\$1.38	\$1.45	\$1.52		
DPS growth (y/y)	4.0%	5.3%	5.1%	5.0%		

Historical price multiple calculations use FYE prices. All values in US\$ unless otherwise indicated.  
Source: FactSet; company reports; Scotia Howard Weil estimates.

Dissemination: February 08, 2019, 15:47 ET. Production: February 08, 2019, 15:37 ET.

## ANALYST TEAM

[Link to Analyst Page](#)

## UTILITIES &amp; ENERGY INFRASTRUCTURE

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## PERTINENT DATA

Rating	Sector Outperform
1-Yr. Target	\$50.00
EXC	\$48.13
1-Yr. Return	6.9%
Div. (NTM)	\$1.45
Div. (Curr.)	\$1.38
Yield (Curr.)	2.9%
Valuation: SoTP, using ~75% regulated utilities (16.9x 2021E EPS) and ~25% merchant power (7.75x 2021E EBITDA)	

## PERTINENT REVISIONS

	New	Old
1-Yr. Target	\$50.00	\$48.00

**New Valuation:** SoTP, using ~75% regulated utilities (16.9x 2021E EPS) and ~25% merchant power (7.75x 2021E EBITDA)

**Old Valuation:** SoTP, using ~70% regulated utilities (16.5x 2021E EPS) and ~30% merchant power (7.75x 2021E EBITDA)

## CAPITALIZATION

Market Cap. (M)	\$46,824
Net Debt + Pref. (M)	\$37,485
Enterprise Value (M)	\$84,309
Shares O/S (M)	973



November, EXC has seen resolution to key rate cases at DPL Delaware natural gas (settlement), ComEd electric, PECO electric (partial settlement), and BGE gas, and has filed a new rate case at Pepco MD electric (decision on August 13). The only other outstanding rate case currently is at ACE, where a decision is expected in 3Q19.

**Weaker ExGen EPS Outlook but Improved FCF Guidance:** Forecasts for gross margins in 2019/2020 were essentially unchanged, while the newly introduced 2021 outlook shows yet another Y/Y decline due to lower expected power/capacity revenue. We note that EXC remains behind "ratable" hedging, which of course provides upside potential (particularly if various rule changes are eventually implemented - we exclude those upsides from our model) but also a higher degree of uncertainty. Below the gross margin line, the updates were negative, with a \$0.02-\$0.03/sh drag from pensions (lower-than-expected actual returns in 2018 weighing on O&Ms) and a \$0.03/sh drag from the Everett LNG acquisition (though that purchase will support earnings in 2022; we like that deal). Perhaps most importantly, guidance now calls for FCF generation of \$7.8B for 2019-2022 vs. \$7.6B previously forecast for 2018-2021 (up ~2.5%).

**Growing Into the Balance Sheet:** Management is increasingly comfortable with the consolidated balance sheet, and it shows. With guidance calling for stronger ExGen FCF generation than previously expected and the increased outlook for utility capex, management has shifted the planned redeployment of ExGen cash to be more focused on utility capex and less on debt repayment and dividends (the latter is also a function of growing utility cash from operations as those businesses grow over time). This strategy makes sense to us, particularly given better-than-expected credit metrics driving positive outlooks from S&P and Fitch. At the end of the day, EXC promotes ExGen as a source of low-cost capital to fund capex at the utilities thanks to its strong FCF. We instead argue that given the volatility in earnings from the commodity exposure, the cash isn't actually cheap at all, though it's nice to not need equity.

**Estimate Revisions:** With higher utility capex and strong ExGen FCF, we have increased our 2021/2022 EPS estimates to \$3.23/\$3.62 from \$3.20/\$3.59. We have increased our TP to \$50 (from \$48). Half of the increase is due to higher estimates, the remainder due to a higher target multiple for the regulated utilities (to 16.9x on 2021E EPS, a 7.5% premium vs. our sector anchor multiple of 15.75x, from 16.5x, or a 5% premium).



## COMPANY UPDATE

Friday, February 8, 2019

### Company Overview

#### Company Description

Exelon Corporation (EXC) has the largest number of utility customers in the United States and operates in 48 states, the District of Columbia, and Canada. Exelon's six utilities deliver electricity and natural gas to approximately 10 million customers in Delaware, the District of Columbia, Illinois, Maryland, New Jersey, and Pennsylvania through its Atlantic City Electric (ACE), Baltimore Gas and Electric Company (BGE), ComEd, Delmarva Power, PECO Energy Company, and Pepco Holdings Inc. (PHI) subsidiaries. EXC is one of the largest competitive U.S. power generators, with more than 35,168 MW of nuclear, gas, wind, solar, and hydroelectric generating capacity. The company's Constellation business unit provides energy products and services to approximately 2 million residential, public-sector, and business customers.

#### Risks

**Key Risks:** Rate cases in challenging jurisdictions, operational and financial performance at PHI, impact of market reforms on ExGen, commodity exposure, and rising interest rates

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<b>Company</b>	<b>Disclosures (see legend below)*</b>
Exelon Corporation	VS0547
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**VS0547** Research Analyst Andrew Weisel visited an operating nuclear power plant in Illinois, USA, in 2011. No payment was received from the issuer for the travel-related expenses incurred by the Research Analyst to visit this site.

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Source: Scotiabank GBM estimates/Scotia Howard Weil estimates; FactSet.

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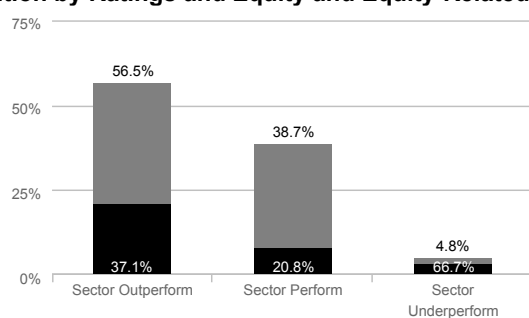
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Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
48.13 USD	40.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

### Exelon's Utilities Perform Well, but Generation Continues to Concern Us

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Research as of 08 Feb 2019  
Estimates as of 01 Nov 2018  
Pricing data through 07 Feb 2019 00:00  
Rating updated as of 07 Feb 2019 00:00

Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.

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#### Analyst Note 08 Feb 2019

We are reaffirming our \$40 fair value estimate and narrow moat and stable moat trend ratings for Exelon after the company announced adjusted full-year 2018 earnings per share of \$3.12, up from \$2.62 in 2017. Management initiated 2019 EPS guidance of \$3.00-\$3.30, consistent with our expectations.

Zero-emission credit revenue was a large benefit for Exelon in 2018, boosting earnings by \$0.35 per share. Exelon has cleared legal challenges in Illinois and New York, and we expect any future efforts to challenge the credits to be unsuccessful. Approved ZEC revenue in New Jersey will help 2019 earnings. We don't forecast Exelon being successful in securing zero-emission credits in Pennsylvania.

Our main concern rests with Exelon's generation that isn't receiving support. Weak forward power prices are a material headwind for Exelon. Total forecast gross margin drops to \$7.15 billion in 2021 from \$7.65 billion in 2019. Exelon also has taken a relatively aggressive hedging approach, increasing the potential upside as well as downside to volatile commodity prices. We do like management's efforts to deleverage its balance sheet and use cash flow from generation to invest in its regulated units. Management continues to manage costs at the unit well.

Exelon's regulated businesses continue to perform well. Management has driven meaningful operational improvement from its acquired utility assets, and we think this has been a significant driver in the improved regulatory treatment in the region. Numerous riders and formula rates have reduced regulatory lag, which is a positive, given Exelon's large capital program. Rolling 12-month earned returns ticked up to 9.7% from 9.5% in the year-ago period.

#### Vital Statistics

Market Cap (USD Mil)	46,542
52-Week High (USD)	48.16
52-Week Low (USD)	35.87
52-Week Total Return %	37.0
YTD Total Return %	6.7
Last Fiscal Year End	31 Dec 2017
5-Yr Forward Revenue CAGR %	1.8
5-Yr Forward EPS CAGR %	8.3
Price/Fair Value	1.20

#### Valuation Summary and Forecasts

	Fiscal Year:	2016	2017	2018(E)	2019(E)
Price/Earnings		13.2	14.7	15.1	15.7
EV/EBITDA		9.5	9.0	9.5	9.6
EV/EBIT		21.5	17.0	17.7	18.2
Free Cash Flow Yield %		-0.3	-0.3	3.9	2.2
Dividend Yield %		3.5	3.2	2.8	2.9

#### Financial Summary and Forecasts (USD Mil)

	Fiscal Year:	2016	2017	2018(E)	2019(E)
Revenue		31,360	33,531	32,862	33,189
Revenue YoY %		6.5	6.9	-2.0	1.0
EBIT		3,112	4,260	4,577	4,450
EBIT YoY %		-29.4	36.9	7.4	-2.8
Net Income, Adjusted		2,484	2,543	3,033	2,929
Net Income YoY %		11.7	2.4	19.3	-3.4
Diluted EPS		2.68	2.68	3.19	3.07
Diluted EPS YoY %		7.6	—	19.0	-3.6
Free Cash Flow		-6,417	38	1,672	1,603
Free Cash Flow YoY %		-1,243.2	-100.6	NM	-4.1

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

#### Profile

Exelon serves more customers than any other U.S. utility, with 10 million power and gas customers at its six regulated utilities in Illinois, Pennsylvania, Maryland, New Jersey, Delaware, and Washington, D.C. Exelon owns 11 nuclear plants and 33 gigawatts of generation capacity throughout North America, producing 20% of U.S. nuclear power and 5% of all U.S. electricity. The company is the largest power retailer in the U.S., serving about 200 terawatt-hours of load.



Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
48.13 USD	40.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

### Morningstar Analyst Forecasts

#### Financial Summary and Forecasts

Fiscal Year Ends in December

		Forecast					
	3-Year Hist. CAGR	2015	2016	2017	2018	2019	5-Year Proj. CAGR
Growth (% YoY)							
Revenue	6.9	7.4	6.5	6.9	-2.0	1.0	1.8
EBIT	11.2	42.4	-29.4	36.9	7.4	-2.8	6.6
EBITDA	14.3	26.8	2.8	14.8	5.1	-0.5	4.5
Net Income	7.2	7.7	11.7	2.4	19.3	-3.4	8.4
Diluted EPS	3.9	4.2	7.6	—	19.0	-3.6	8.3
Earnings Before Interest, after Tax	2.1	13.7	-14.4	9.3	0.8	-2.9	4.3
Free Cash Flow	-32.0	365.5	-1,243.2	-100.6	NM	-4.1	155.3

	3-Year Hist. Avg	2015	2016	2017	2018	2019	5-Year Proj. Avg
Profitability							
Operating Margin %	12.5	15.0	9.9	12.7	13.9	13.4	14.6
EBITDA Margin %	23.3	23.3	22.5	24.1	25.9	25.5	26.4
Net Margin %	7.7	7.6	7.9	7.6	9.2	8.8	9.4
Free Cash Flow Margin %	-6.2	1.9	-20.5	0.1	5.1	4.8	7.3
ROIC %	3.0	4.7	2.3	1.9	5.3	5.3	5.6
Adjusted ROIC %	3.2	4.9	2.5	2.1	5.8	5.8	6.1
Return on Assets %	2.3	2.5	1.1	3.3	2.5	2.4	2.6
Return on Equity %	9.1	9.3	4.4	13.6	9.9	9.1	9.5

	3-Year Hist. Avg	2015	2016	2017	2018	2019	5-Year Proj. Avg
Leverage							
Debt/Capital	0.54	0.50	0.58	0.54	0.54	0.53	0.51
Total Debt/EBITDA	4.44	3.84	5.10	4.40	4.33	4.45	4.07
EBITDA/Interest Expense	5.47	6.64	4.59	5.18	5.35	5.31	5.87

#### Valuation Summary and Forecasts

	2016	2017	2018(E)	2019(E)
Price/Fair Value	1.11	1.19	—	—
Price/Earnings	13.2	14.7	15.1	15.7
EV/EBITDA	9.5	9.0	9.5	9.6
EV/EBIT	21.5	17.0	17.7	18.2
Free Cash Flow Yield %	-0.3	-0.3	3.9	2.2
Dividend Yield %	3.5	3.2	2.8	2.9

#### Key Valuation Drivers

Cost of Equity %	9.0
Pre-Tax Cost of Debt %	6.5
Weighted Average Cost of Capital %	7.0
Long-Run Tax Rate %	25.0
Stage II EBI Growth Rate %	5.0
Stage II Investment Rate %	62.5
Perpetuity Year	15

Additional estimates and scenarios available for download at <http://select.morningstar.com>.

#### Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	10,081	14.3	10.59
Present Value Stage II	12,977	18.4	13.64
Present Value Stage III	47,618	67.4	50.03
<b>Total Firm Value</b>	<b>70,676</b>	<b>100.0</b>	<b>74.26</b>
Cash and Equivalents	898	—	0.94
Debt	-35,582	—	-37.39
Preferred Stock	—	—	—
Other Adjustments	60	—	0.06
<b>Equity Value</b>	<b>36,052</b>	<b>—</b>	<b>37.88</b>
Projected Diluted Shares	952		
<b>Fair Value per Share (USD)</b>	<b>40.00</b>		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

# Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
48.13 USD	40.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

## Morningstar Analyst Forecasts

### Income Statement (USD Mil)

Fiscal Year Ends in December

Fiscal Year Ends in December	Forecast				
	2015	2016	2017	2018	2019
<b>Revenue</b>	<b>29,447</b>	<b>31,360</b>	<b>33,531</b>	<b>32,862</b>	<b>33,189</b>
Cost of Goods Sold	13,084	12,640	14,035	13,105	13,669
<b>Gross Profit</b>	<b>16,363</b>	<b>18,720</b>	<b>19,496</b>	<b>19,757</b>	<b>19,520</b>
Selling, General & Administrative Expenses	8,322	10,048	10,126	9,505	9,274
Other Operating Expense (Income)	1,200	1,576	1,731	1,755	1,795
Other Operating Expense (Income)	-18	48	-449	—	—
Depreciation & Amortization (if reported separately)	2,450	3,936	3,828	3,920	4,001
<b>Operating Income (ex charges)</b>	<b>4,409</b>	<b>3,112</b>	<b>4,260</b>	<b>4,577</b>	<b>4,450</b>
Restructuring & Other Cash Charges	—	—	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
<b>Operating Income (incl charges)</b>	<b>4,409</b>	<b>3,112</b>	<b>4,260</b>	<b>4,577</b>	<b>4,450</b>
Interest Expense	1,033	1,536	1,560	1,587	1,592
Interest Income	-53	389	1,024	850	850
<b>Pre-Tax Income</b>	<b>3,323</b>	<b>1,965</b>	<b>3,724</b>	<b>3,840</b>	<b>3,708</b>
Income Tax Expense	1,073	761	-125	806	779
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	32	-62	-62	—	—
(Preferred Dividends)	-13	-8	-8	—	—
<b>Net Income</b>	<b>2,269</b>	<b>1,134</b>	<b>3,779</b>	<b>3,033</b>	<b>2,929</b>
Weighted Average Diluted Shares Outstanding	893	927	949	951	953
<b>Diluted Earnings Per Share</b>	<b>2.54</b>	<b>1.22</b>	<b>3.98</b>	<b>3.19</b>	<b>3.07</b>
Adjusted Net Income	2,224	2,484	2,543	3,033	2,929
<b>Diluted Earnings Per Share (Adjusted)</b>	<b>2.49</b>	<b>2.68</b>	<b>2.68</b>	<b>3.19</b>	<b>3.07</b>
Dividends Per Common Share	1.24	1.26	1.26	1.34	1.37
<b>EBITDA</b>	<b>8,396</b>	<b>8,688</b>	<b>9,687</b>	<b>8,497</b>	<b>8,451</b>
<b>Adjusted EBITDA</b>	<b>6,859</b>	<b>7,048</b>	<b>8,088</b>	<b>8,497</b>	<b>8,451</b>

## Exelon Corp EXC (NYSE) ★★

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### Morningstar Analyst Forecasts

#### Balance Sheet (USD Mil)

Fiscal Year Ends in December

	2015	2016	2017	Forecast	
				2018	2019
Cash and Equivalents	6,502	635	898	1,090	1,717
Investments	—	—	—	—	—
Accounts Receivable	4,099	5,359	5,533	5,672	5,729
Inventory	1,566	1,638	1,651	1,723	1,798
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	3,167	4,780	3,752	4,000	4,000
<b>Current Assets</b>	<b>15,334</b>	<b>12,412</b>	<b>11,834</b>	<b>12,486</b>	<b>13,243</b>
Net Property Plant, and Equipment	57,439	71,555	74,202	78,032	80,531
Goodwill	2,672	6,677	6,677	6,677	6,677
Other Intangibles	—	—	—	—	—
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	6,065	10,046	8,021	9,000	9,000
Long-Term Non-Operating Assets	13,874	14,214	15,966	15,966	15,966
<b>Total Assets</b>	<b>95,384</b>	<b>114,904</b>	<b>116,700</b>	<b>122,161</b>	<b>125,417</b>
Accounts Payable	2,891	3,449	3,537	3,590	3,558
Short-Term Debt	2,033	3,697	3,017	3,017	3,017
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	4,194	6,311	4,242	6,100	6,100
<b>Current Liabilities</b>	<b>9,118</b>	<b>13,457</b>	<b>10,796</b>	<b>12,707</b>	<b>12,675</b>
Long-Term Debt	24,286	32,216	32,565	33,765	34,615
Deferred Tax Liabilities (Long-Term)	13,776	18,138	11,222	12,000	12,750
Other Long-Term Operating Liabilities	4,201	4,187	9,865	10,500	10,500
Long-Term Non-Operating Liabilities	16,681	19,294	20,120	20,120	20,120
<b>Total Liabilities</b>	<b>68,062</b>	<b>87,292</b>	<b>84,568</b>	<b>89,092</b>	<b>90,660</b>
Preferred Stock	28	—	—	—	—
Common Stock	18,676	18,794	18,964	18,964	18,964
Additional Paid-in Capital	—	—	—	60	120
Retained Earnings (Deficit)	12,068	12,030	13,503	15,268	16,897
(Treasury Stock)	-2,327	-2,327	-123	-123	-123
Other Equity	-2,431	-2,660	-2,487	-2,700	-2,700
<b>Shareholder's Equity</b>	<b>26,014</b>	<b>25,837</b>	<b>29,857</b>	<b>31,469</b>	<b>33,158</b>
Minority Interest	1,308	1,775	2,275	1,600	1,600
<b>Total Equity</b>	<b>27,322</b>	<b>27,612</b>	<b>32,132</b>	<b>33,069</b>	<b>34,758</b>



Morningstar Equity Research

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### Morningstar Analyst Forecasts

#### Cash Flow (USD Mil)

Fiscal Year Ends in December

	2015	2016	2017	Forecast	
				2018	2019
Net Income	2,250	1,204	3,849	3,033	2,929
Depreciation	3,987	5,576	5,427	3,920	4,001
Amortization	—	—	—	—	—
Stock-Based Compensation	—	—	—	—	—
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	752	664	-361	778	750
Other Non-Cash Adjustments	891	1,482	380	—	—
(Increase) Decrease in Accounts Receivable	240	-432	-426	-139	-57
(Increase) Decrease in Inventory	4	7	-72	-72	-74
Change in Other Short-Term Assets	-387	-827	-927	-248	—
Increase (Decrease) in Accounts Payable	-121	771	-390	53	-33
Change in Other Short-Term Liabilities	—	—	—	1,858	—
<b>Cash From Operations</b>	<b>7,616</b>	<b>8,445</b>	<b>7,480</b>	<b>9,183</b>	<b>7,517</b>
(Capital Expenditures)	-7,624	-8,553	-7,584	-7,350	-6,500
Net (Acquisitions), Asset Sales, and Disposals	-40	-6,934	-208	-400	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-158	-16	-142	-344	—
<b>Cash From Investing</b>	<b>-7,822</b>	<b>-15,503</b>	<b>-7,934</b>	<b>-8,094</b>	<b>-6,500</b>
Common Stock Issuance (or Repurchase)	1,900	55	150	60	60
Common Stock (Dividends)	-1,105	-1,166	-1,236	-1,269	-1,300
Short-Term Debt Issuance (or Retirement)	80	-575	-340	—	—
Long-Term Debt Issuance (or Retirement)	4,022	2,780	980	1,200	850
Other Financing Cash Flows	-67	97	1,163	-675	—
<b>Cash From Financing</b>	<b>4,830</b>	<b>1,191</b>	<b>717</b>	<b>-684</b>	<b>-390</b>
Exchange Rates, Discontinued Ops, etc. (net)	—	—	—	-213	—
<b>Net Change in Cash</b>	<b>4,624</b>	<b>-5,867</b>	<b>263</b>	<b>192</b>	<b>627</b>

# Research Methodology for Valuing Companies

## Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

### 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats:

intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

### 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

#### Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

#### Stage II: Fade

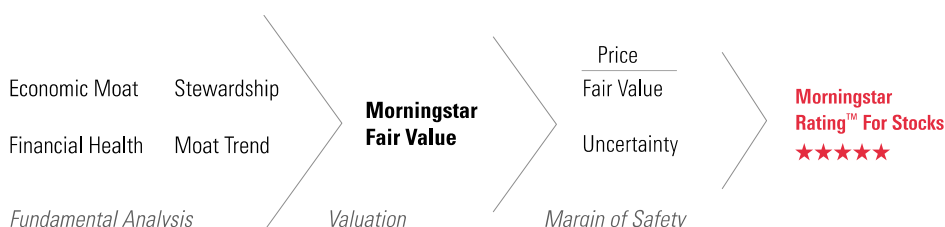
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

#### Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

## Morningstar Research Methodology for Valuing Companies



## Research Methodology for Valuing Companies

### 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

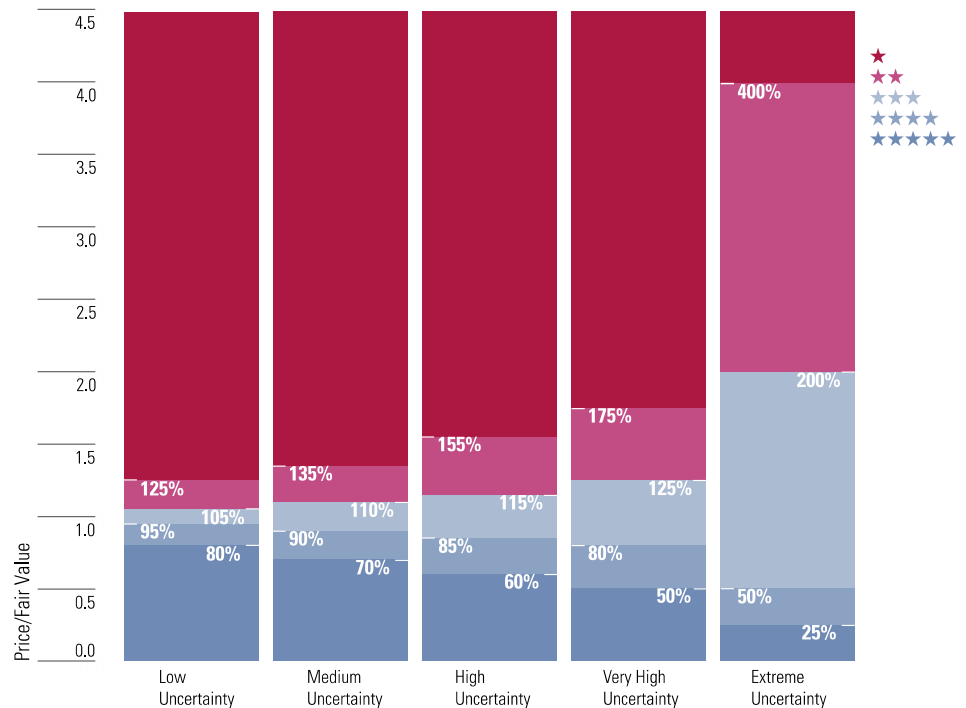
- Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

### 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>.

### Morningstar Equity Research Star Rating Methodology



### Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

# Research Methodology for Valuing Companies

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## Other Definitions

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Stewardship Rating:** Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ▶ Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ▶ Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

## Risk Warning

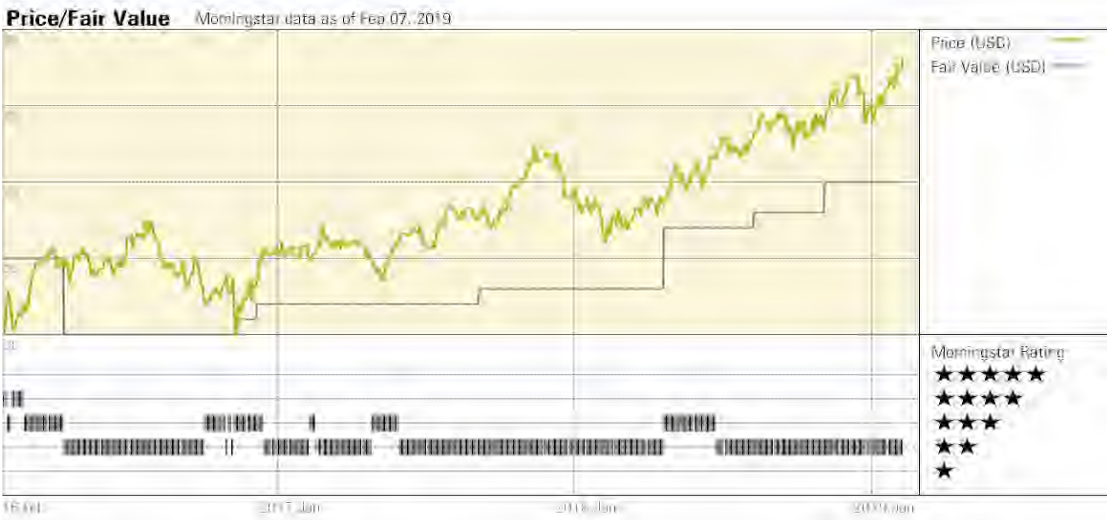
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Morningstar Equity Research

# Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
48.13 USD	40.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated



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## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
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Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
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Morningstar Equity Research

## Exelon Corp EXC (NYSE) ★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
48.13 USD	40.00 USD	Medium	Narrow	Stable	Standard	Utilities - Regulated

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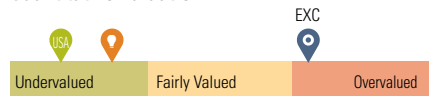
# Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★	48.13 USD	40.00 USD	1.20	2.87	3.01	46.54	Utilities - Diversified	Standard
07 Feb 2019 22:45, UTC	07 Feb 2019	02 Nov 2018 22:29, UTC		07 Feb 2019	07 Feb 2019	07 Feb 2019		

Morningstar Pillars	Analyst	Quantitative
Economic Moat	Narrow	Narrow
Valuation	★★	Overvalued
Uncertainty	Medium	Medium
Financial Health	—	Moderate

Source: Morningstar Equity Research

## Quantitative Valuation



	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	1.08	0.98	0.89	0.83
Price/Earnings	12.4	16.4	14.8	20.1
Forward P/E	15.2	—	13.7	13.9
Price/Cash Flow	5.5	4.7	6.5	13.1
Price/Free Cash Flow	48.7	86.3	13.1	19.5
Trailing Dividend Yield%	2.87	3.55	3.68	2.35

Source: Morningstar

## Bulls Say

- ▶ Nuclear power plants run year-round, produce electricity at low variable costs, and generate large energy margins, even with currently depressed power prices.
- ▶ Higher natural gas and coal prices, rising electricity demand, and environmental regulations help Exelon more than any other utility because of its large nuclear fleet.
- ▶ Exelon's regulated utilities have good growth opportunities and regulation that can support earnings and dividend growth.

## Bears Say

- ▶ Exelon's performance in part is driven by volatile power prices that fluctuate based on natural gas prices, coal prices, and regional electricity demand.
- ▶ The Constellation and Pepco acquisitions diluted Exelon's economic moat by adding more no-moat retail business.
- ▶ Many of Exelon's growth projects come with regulated or contracted returns, reducing shareholders' leverage to a rebound in power markets.

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## Exelon's Utilities Perform Well, but Generation Continues to Concern Us

### Business Strategy and Outlook

Andrew Bischof, CFA, CPA, Sr. Eq. Analyst, 02 November 2018

As the largest nuclear power plant owner in the United States, Exelon has suffered as low natural gas prices have slashed power prices since 2008. We think cheap gas will remain an advantage for competing generators and pressure nuclear plant returns for the foreseeable future. But Exelon has shown its political clout recently, winning subsidies in Illinois, New York, and New Jersey to keep its nuclear fleet economic.

Exelon's growth engine is its regulated gas and electric distribution utilities. With the \$12 billion acquisition of Pepco Holdings in March 2016, we expect Exelon's regulated electric and gas distribution utilities to drive all of our forecast 6% average annual consolidated earnings growth at least through 2020. By then, the regulated utilities' earnings should easily top Exelon's generation earnings, based on current energy market conditions.

The regulatory outlook for Exelon's utilities is improving, supporting its growth plans. In Delaware, legislators approved a distribution customer charge that will allow for more timely recovery and support further infrastructure development. In Pennsylvania, legislation allows state regulators to incorporate more-constructive rate mechanisms such as decoupling, formula rates, and multiyear rate plans and rate cases.

At its nuclear unit, Exelon can't escape its leverage to Eastern and Midwestern U.S. power prices, which contribute about half of total earnings. Nuclear's low fuel costs and clean emission profile make Exelon the utilities sector's biggest winner if power prices rise, capacity markets tighten, and environmental regulations make fossil-fuel power generation more costly. Management recently announced \$150 million in additional cost efficiencies at the generation unit, which we think management can achieve by 2021.

Exelon continues to get courts' support for zero-emissions credits, or ZECs, programs that support nuclear fleet economics. In Illinois and New York, both the Seventh and Second Circuit Court of Appeals recently upheld the

legality of ZECs supporting Exelon's nuclear fleet in New York and Illinois. In New Jersey, ZEC legislation would go into effect the first quarter of 2019.

### Analyst Note

Andrew Bischof, CFA, CPA, Sr. Eq. Analyst, 08 February 2019

We are reaffirming our \$40 fair value estimate and narrow moat and stable moat trend ratings for Exelon after the company announced adjusted full-year 2018 earnings per share of \$3.12, up from \$2.62 in 2017. Management initiated 2019 EPS guidance of \$3.00-\$3.30, consistent with our expectations.

Zero-emission credit revenue was a large benefit for Exelon in 2018, boosting earnings by \$0.35 per share. Exelon has cleared legal challenges in Illinois and New York, and we expect any future efforts to challenge the credits to be unsuccessful. Approved ZEC revenue in New Jersey will help 2019 earnings. We don't forecast Exelon being successful in securing zero-emission credits in Pennsylvania.

Our main concern rests with Exelon's generation that isn't receiving support. Weak forward power prices are a material headwind for Exelon. Total forecast gross margin drops to \$7.15 billion in 2021 from \$7.65 billion in 2019. Exelon also has taken a relatively aggressive hedging approach, increasing the potential upside as well as downside to volatile commodity prices. We do like management's efforts to deleverage its balance sheet and use cash flow from generation to invest in its regulated units. Management continues to manage costs at the unit well.

Exelon's regulated businesses continue to perform well. Management has driven meaningful operational improvement from its acquired utility assets, and we think this has been a significant driver in the improved regulatory treatment in the region. Numerous riders and formula rates have reduced regulatory lag, which is a positive, given Exelon's large capital program. Rolling 12-month earned returns ticked up to 9.7% from 9.5% in the year-ago period.

# Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★ 07 Feb 2019 22:45, UTC	48.13 USD 07 Feb 2019	40.00 USD 02 Nov 2018 22:29, UTC	1.20	2.87 07 Feb 2019	3.01 07 Feb 2019	46.54 07 Feb 2019	Utilities - Diversified	Standard

Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
Public Service Enterprise Group Inc PEG	USD	28,148	9,325	23.16	12.89
FirstEnergy Corp FE	USD	20,105	14,321	18.38	0.00
Entergy Corp ETR	USD	16,969	11,121	11.23	38.46

## Economic Moat

Andrew Bischof, Sr. Eq. Analyst, 02 November 2018

Considering Exelon's full suite of businesses, we think the firm has a narrow economic moat.

Most nuclear generation still has moaty characteristics, with returns on capital above costs of capital for the foreseeable future. However, the spread between long-term returns on capital and Exelon's cost of capital has shrunk, based on our midcycle outlook for power prices in the Eastern U.S. Exelon's increasing diversification into narrow- and no-moat businesses, together with the shrinking returns at its nuclear generation business, supports our narrow moat rating.

Nuclear generation's moaty economics are based on two primary competitive advantages. First, nuclear plants take more than seven years to site and build, cost several billion dollars, and typically face community opposition. These are significant barriers to entry, giving operators an effective low-cost monopoly in a given region. Exelon's large fleet gives it scale advantages that allow it to add capacity at its plants at a fraction of the cost and risk of a greenfield project. It is unlikely a competitor would be able to earn sufficient returns on capital by building a nuclear plant in close proximity to any of Exelon's plants.

Second, no other reliable power generation source can match the cost or scale of a nuclear plant. Nuclear plants' low variable costs and low greenhouse gas emissions relative to competing fossil fuel power generation sources, such as coal and natural gas, reduce substitution threats. Renewable energy, with effectively no marginal costs, has depressed wholesale power prices and hurt Exelon's returns on capital in some of its regions. We believe this is a market distortion that fails to recognize the value of Exelon's nuclear fleet reliability relative to intermittent renewable energy. State policy and legislation particularly in Illinois and New York have recognized some of that zero-emissions power from nuclear plants.

As long as electricity remains a critical energy source in

the U.S. and nuclear investment requirements remain near current levels, we expect nuclear plants will maintain a low-cost advantage and generate supportive returns on capital. To monetize this competitive advantage, Exelon must retain access to wholesale power markets. Any reregulation of its generation fleet would shrink its moat. In addition, nuclear generation must maintain regulatory and political support in the U.S. and states where Exelon operates. If that support erodes, it could affect the economics of routine maintenance investments and lead to plant shutdowns, as we've seen elsewhere in the U.S. and overseas.

We believe Exelon's regulated distribution utilities have narrow economic moats. Regulatory caps on profits offsets the service territory monopolies and network efficient scale advantages. Utility regulation in the U.S. aims to fix customer rates at levels that ensure capital providers earn fair returns on their investments while keeping customer costs as low as possible. We believe this regulatory compact ensures Exelon's utilities will earn greater than their costs of capital in the long run.

We believe Exelon's retail supply business has no economic moat. Retail power and gas markets are highly competitive with virtually no barriers to entry, switching costs, or product differentiation. Although customer relationships can be sticky, retailers mostly end up competing on price.

## Fair Value & Profit Drivers

Andrew Bischof, Sr. Eq. Analyst, 02 November 2018

We are increasing our fair value estimate to \$40 per share from \$38 after Exelon reported third-quarter earnings that were in line with our expectations. The increase is due to the incorporation of the recently announced \$200 million cost savings plan, of which \$150 million will be at Exelon generation and will flow through to shareholders.

We expect earnings growth at the regulated utilities to drive 6% consolidated annual earnings growth through 2021 on a normalized tax rate basis. The tax cut in 2018 boosts consolidated earnings but doesn't change our core growth rate assumption.

Our forecasts show Exelon's regulated utilities contributing about 60% of consolidated earnings starting in 2019. We assume the regulated utilities earn 10% returns on equity on average starting in 2021 and increase

## Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★ 07 Feb 2019 22:45, UTC	48.13 USD 07 Feb 2019	40.00 USD 02 Nov 2018 22:29, UTC	1.20	2.87 07 Feb 2019	3.01 07 Feb 2019	46.54 07 Feb 2019	Utilities - Diversified	Standard

their rate bases 5% annually on average in 2019-21.

On a midcycle basis, we assume a \$3 per million Btu midcycle Henry Hub gas price and modest market heat rate improvement above current 2020 forwards in all regions.

At the retail business, we assume 20% long-term normalized gross margins and volume that grows to 260 terawatt-hours by 2022.

We assume a 9% cost of equity and a 7.0% cost of capital. Our cost of equity assumption is in line with the 9% rate of return that we expect investors to demand of a diversified equity portfolio. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

### Risk & Uncertainty

Andrew Bischof, Sr. Eq. Analyst, 02 November 2018

Investors should consider turning their attention away from power markets and more toward regulatory developments in Illinois, Pennsylvania, and the Mid-Atlantic coastal states.

As Exelon's regulated utilities generate a greater share of earnings, shareholders' returns will be more exposed to state and federal regulatory risk. Illinois and Maryland are two historically tough regulatory environments, and punitive rate decisions could have a material impact on earnings and growth. However, Exelon has done a solid job developing good regulatory relationships that mitigate some of this risk. We expect Exelon will be able to maintain solid--albeit not spectacular--returns at its regulated utilities.

Exelon's biggest threat used to be political developments that would reregulate competitive electricity markets in the Midwest and Mid-Atlantic. As the nation's largest wholesale generator and retail supplier, Exelon Generation's competitive edge requires Eastern U.S. power markets to remain deregulated. However, Exelon's political savvy, particularly in Illinois, New York, and New Jersey, now limits the impact from volatile power markets on earnings and long-term value. We expect most of the nuclear fleet is earning returns in the range of what might be available in a fully regulated scheme.

Exelon still has a net long position in the power markets, so sharp increases in power prices would result in an

earnings windfall for its generation fleet. This could reverse the current outlook, leading Exelon to pull back its lobbying efforts while drawing reregulation rhetoric from regulators and politicians. Exelon previously suffered from politically inspired power price caps that limited its profits for several years following deregulation. We think the now-mature deregulated markets make this unlikely, but regulators remain highly involved in power markets, and any regulatory changes will probably have a material positive or negative impact on Exelon, given its size.

### Stewardship

Andrew Bischof, Sr. Eq. Analyst, 02 November 2018

We assign the Exelon management team a Standard stewardship rating. The company has done a notable job reducing its exposure to commodity markets, which it can't control, and focusing on business lines where it can control how earnings develop.

We're particularly impressed by management's ability to operate its nuclear fleet at world-class levels. We're also impressed by the lobbying success it has had, particularly in New York, Illinois, and New Jersey, to extend the lives of its distressed nuclear plants. This is the one thing it can control and preserves the value-creation opportunities if power prices rise. President and CEO Chris Crane led the generation segment to world-class results in his five years as COO. Exelon's nuclear capacity factors routinely approach 94% across its nuclear fleet. The rest of the nuclear industry averages in the mid-80% range.

Management has also been able to score legislative wins that should improve the regulatory environment in Delaware and Pennsylvania. In Delaware, legislators approved a distribution customer charge that will allow for more timely recovery and support further infrastructure development. In Pennsylvania, legislation will allow state regulators to incorporate more constructive rate mechanisms, such as decoupling, formula rates, and multiyear rate plans and rate cases.

Crane and board chairman Mayo Shattuck III have focused growth investment on the regulated utilities, continuing a strategic shift that former CEO and chairman John Rowe made before his departure in 2013. Crane's biggest move so far is the \$12 billion (including debt) Pepco acquisition, which closed in 2016. This increases Exelon's share of regulated utilities earnings and dilutes shareholders' aggregate exposure to wholesale power markets.

Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★ 07 Feb 2019 22:45, UTC	48.13 USD 07 Feb 2019	40.00 USD 02 Nov 2018 22:29, UTC	1.20	2.87 07 Feb 2019	3.01 07 Feb 2019	46.54 07 Feb 2019	Utilities - Diversified	Standard

Management showed strong conviction in the value of the deal based on nearly two years of regulatory negotiations.

# Exelon Corp EXC (XNYS)

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## Analyst Notes Archive

### Exelon Continues to Identify Cost Savings, Helping Mitigate ExGen Headwinds

Andrew Bischof, Sr. Eq. Analyst, 01 November 2018

We are reaffirming our \$37 fair value estimate and our narrow-moat and stable moat trend ratings for Exelon after the company announced adjusted third-quarter EPS of \$0.88, up from \$0.85 per share in the same year-ago period. Management increased the lower end of its 2018 guidance range to \$3.00-\$3.20 from \$2.90-\$3.20, consistent with our full-year expectations.

During the quarter, both the Seventh and Second Circuit Court of Appeals upheld the legality of ZECs supporting Exelon's nuclear fleet in New York and Illinois. We expected a positive ruling at both courts, and have fully incorporated these states' ZEC payments into our outlook. In New Jersey, the process for implementation of the ZEC program is on track for a second-quarter initiation, with utilities having filed tariffs to recover ZEC charges. Exelon continues to actively lobby for PJM reform that would give states flexibility in securing capacity that aligns with state public policy goals.

Earned returns at the company's regulated utilities ticked up to 9.6% from the prior rolling 12-month 9.4% return. Returns were supported by favorable weather and rate case outcomes resulting in increased rates. Further outstanding rate cases should continue the positive trend in regulated returns.

Management announced \$200 million in additional cost savings, with \$150 million assigned to ExGen, by 2021. Management has been successful at driving efficiencies, having identified \$900 million of reductions since 2015.

### Can EVs, Pot, and Data Save U.S. Electricity Demand?

Travis Miller, Strategist, 30 November 2018

U.S. electricity demand has flatlined during the last decade, but we think it will spring to life. We forecast three emerging electricity demand sources—data centers, electric vehicle charging, and marijuana production—will approach 6% of total U.S. electricity demand by 2030, offsetting energy efficiency gains and resulting in 1.25% total annual electricity demand growth through 2030.

We are reaffirming our fair value estimates and moat ratings for all U.S. utilities. Utilities will have to work hard to attract new demand. We think the most successful will be those that invest in grid expansion, smart networks, reliability, and renewable energy. Utilities that slack on investment could face slowing long-term earnings and dividend growth.

Three utilities that we think will benefit the most based on our electricity demand forecast are Dominion Energy, Duke Energy, and Edison International. All trade near or below our fair value estimates. Dominion and Duke should benefit directly from higher demand in their mid-Atlantic and Southeast locations. Edison should benefit from infrastructure investments to support California's progressive energy policies.

Data center expansion is the largest source of new electricity demand in our forecast. We expect data centers to represent more than 3% of all U.S. electricity use by 2030. We think the Southwest and mid-Atlantic regions will benefit the most from data center growth.

The second-largest source of new demand is electric vehicle charging, which we expect to accelerate in the outer years of our forecast based on Morningstar's bullish EV sales forecast. Third, expanding marijuana legalization and use could quadruple the industry's electricity needs as energy-intensive indoor growing facilities expand.

Energy efficiency will remain a drag on electricity demand, but we expect diminishing returns as high-efficiency lights, appliances, and building codes reach widespread adoption.

### Exelon's Utilities Perform Well, but Generation Continues to Concern Us

Andrew Bischof, Sr. Eq. Analyst, 08 February 2019

We are reaffirming our \$40 fair value estimate and narrow moat and stable moat trend ratings for Exelon after the company announced adjusted full-year 2018 earnings per share of \$3.12, up from \$2.62 in 2017. Management initiated 2019 EPS guidance of \$3.00-\$3.30, consistent with our expectations.

Zero-emission credit revenue was a large benefit for Exelon in 2018, boosting earnings by \$0.35 per share. Exelon has cleared legal challenges in Illinois and New

## Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★ 07 Feb 2019 22:45, UTC	48.13 USD 07 Feb 2019	40.00 USD 02 Nov 2018 22:29, UTC	1.20	2.87 07 Feb 2019	3.01 07 Feb 2019	46.54 07 Feb 2019	Utilities - Diversified	Standard

York, and we expect any future efforts to challenge the credits to be unsuccessful. Approved ZEC revenue in New Jersey will help 2019 earnings. We don't forecast Exelon being successful in securing zero-emission credits in Pennsylvania.

Our main concern rests with Exelon's generation that isn't receiving support. Weak forward power prices are a material headwind for Exelon. Total forecast gross margin drops to \$7.15 billion in 2021 from \$7.65 billion in 2019. Exelon also has taken a relatively aggressive hedging approach, increasing the potential upside as well as downside to volatile commodity prices. We do like management's efforts to deleverage its balance sheet and use cash flow from generation to invest in its regulated units. Management continues to manage costs at the unit well.

Exelon's regulated businesses continue to perform well. Management has driven meaningful operational improvement from its acquired utility assets, and we think this has been a significant driver in the improved regulatory treatment in the region. Numerous riders and formula rates have reduced regulatory lag, which is a positive, given Exelon's large capital program. Rolling 12-month earned returns ticked up to 9.7% from 9.5% in the year-ago period.

**Exelon Corp EXC** ★★★<sup>Q</sup> 08 Feb 2019 02:00 UTC**Last Close**

07 Feb 2019

48.13

**Fair Value<sup>Q</sup>**

08 Feb 2019 02:00 UTC

44.59

**Market Cap**

07 Feb 2019

46,542.2 Mil

**Sector**

Utilities

**Industry**

Utilities - Diversified

**Country of Domicile**

USA United States

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

**Company Profile**

Exelon serves more customers than any other U.S. utility, with 10 million power and gas customers at its six regulated utilities in Illinois, Pennsylvania, Maryland, New Jersey, Delaware, and Washington, D.C. Exelon owns 11 nuclear plants and 33 gigawatts of generation capacity throughout North America, producing 20% of U.S. nuclear power and 5% of all U.S. electricity. The company is the largest power retailer in the U.S., serving about 200 terawatt-hours of load.

**Quantitative Scores**

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	96	94	93
Valuation	Overvalued	3	9	5
Quantitative Uncertainty	Medium	100	96	99
Financial Health	Moderate	77	68	77



Source: Morningstar Equity Research

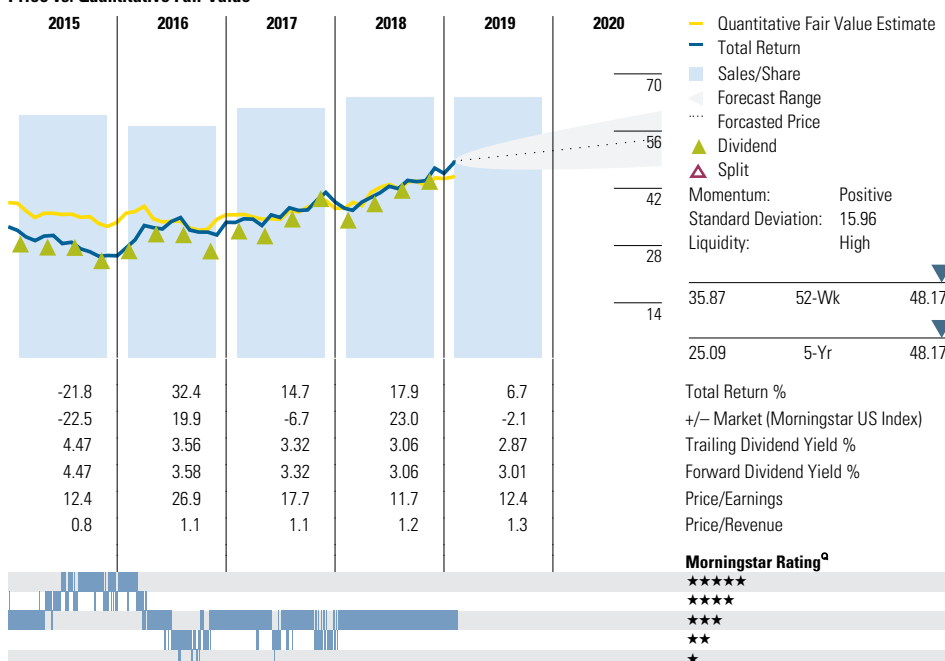
Valuation	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	1.08	0.98	0.89	0.83
Price/Earnings	12.4	16.4	14.8	20.1
Forward P/E	15.2	—	13.7	13.9
Price/Cash Flow	5.5	4.7	6.5	13.1
Price/Free Cash Flow	48.7	86.3	13.1	19.5
Trailing Dividend Yield %	2.87	3.55	3.68	2.35
Price/Book	1.5	1.3	1.4	2.4
Price/Sales	1.3	1.1	1.4	2.4

Profitability			Sector	Country
	Current	5-Yr Avg	Median	Median
Return on Equity %	12.6	8.5	9.8	12.9
Return on Assets %	3.1	2.2	3.3	5.2
Revenue/Employee (Mil)	1.0	1.0	1.3	0.3

Financial Health	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.7	0.6	0.6	0.5
Solvency Score	557.2	—	584.9	552.4
Assets/Equity	3.9	4.0	2.6	1.7
Long-Term Debt/Equity	1.1	1.0	0.7	0.4

**Growth Per Share**

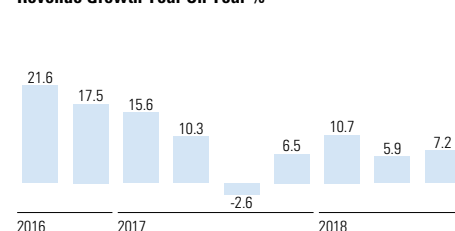
	1-Year	3-Year	5-Year	10-Year
Revenue %	6.9	6.9	7.4	5.9
Operating Income %	20.6	16.8	9.1	-2.0
Earnings %	225.4	28.3	22.8	-0.2
Dividends %	3.6	1.9	-9.0	-2.9
Book Value %	10.9	5.7	4.3	7.3
Stock Total Return %	37.0	16.5	13.1	1.1

**Price vs. Quantitative Fair Value**

	2013	2014	2015	2016	2017	TTM	Financials (Fiscal Year in Mil)
Revenue	24,888	27,429	29,447	31,360	33,531	35,521	Revenue
% Change	6.0	10.2	7.4	6.5	6.9	5.9	% Change
Operating Income	3,646	2,390	4,391	3,160	3,811	4,077	Operating Income
% Change	47.6	-34.4	83.7	-28.0	20.6	7.0	% Change
Net Income	1,719	1,623	2,269	1,134	3,770	3,721	Net Income
Operating Cash Flow	6,343	4,457	7,616	8,445	7,480	8,482	Operating Cash Flow
Capital Spending	-5,395	-6,077	-7,624	-8,553	-7,584	-7,525	Capital Spending
Free Cash Flow	948	-1,620	-8	-108	-104	957	Free Cash Flow
% Sales	3.8	-5.9	0.0	-0.3	-0.3	2.7	% Sales
EPS	2.00	1.88	2.54	1.22	3.97	3.87	EPS
% Change	40.8	-6.0	35.1	-52.0	225.4	-2.5	% Change
Free Cash Flow/Share	0.51	-0.03	-1.04	0.82	-1.05	0.99	Free Cash Flow/Share
Dividends/Share	1.46	1.24	1.24	1.26	1.31	1.36	Dividends/Share
Book Value/Share	25.51	27.44	28.01	28.17	29.18	32.08	Book Value/Share
Shares Outstanding (K)	860,000	920,000	924,000	963,000	967,010	967,010	Shares Outstanding (K)
Return on Equity %	7.8	7.2	9.4	4.4	13.5	12.6	Profitability
Return on Assets %	2.2	2.0	2.5	1.1	3.3	3.1	Return on Assets %
Net Margin %	6.9	5.9	7.7	3.6	11.2	10.5	Net Margin %
Asset Turnover	0.31	0.33	0.32	0.30	0.29	0.30	Asset Turnover
Financial Leverage	3.5	3.8	3.7	4.4	3.9	3.9	Financial Leverage
Gross Margin %	27.7	21.4	27.3	27.7	27.9	28.5	Gross Margin %
Operating Margin %	14.7	8.7	14.9	10.1	11.4	11.5	Operating Margin %
Long-Term Debt	18,271	20,010	24,286	32,216	32,565	34,909	Long-Term Debt
Total Equity	22,732	22,608	25,793	25,837	29,857	31,020	Total Equity
Fixed Asset Turns	0.5	0.6	0.5	0.5	0.5	0.5	Fixed Asset Turns

**Quarterly Revenue & EPS**

	Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2018		9,693.0	8,076.0	9,403.0	—	—
2017		8,757.0	7,623.0	8,769.0	8,382.0	33,531.0
2016		7,573.0	6,910.0	9,002.0	7,874.0	31,360.0
2015		8,830.0	6,514.0	7,401.0	6,701.0	29,447.0
<b>Earnings Per Share (I)</b>						
2018		0.60	0.56	0.76	—	—
2017		1.07	0.09	0.85	1.96	3.97
2016		0.19	0.29	0.53	0.22	1.22
2015		0.80	0.74	0.69	0.32	2.54

**Revenue Growth Year On Year %**

# Research Methodology for Valuing Companies

## Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

## 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats:

intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

## 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

## Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

## Stage II: Fade

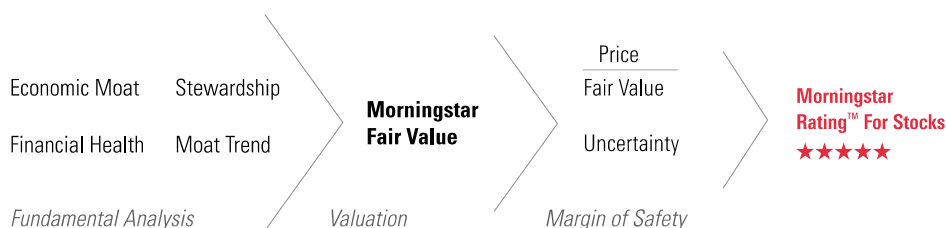
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

## Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

## Morningstar Research Methodology for Valuing Companies



## Research Methodology for Valuing Companies

### 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

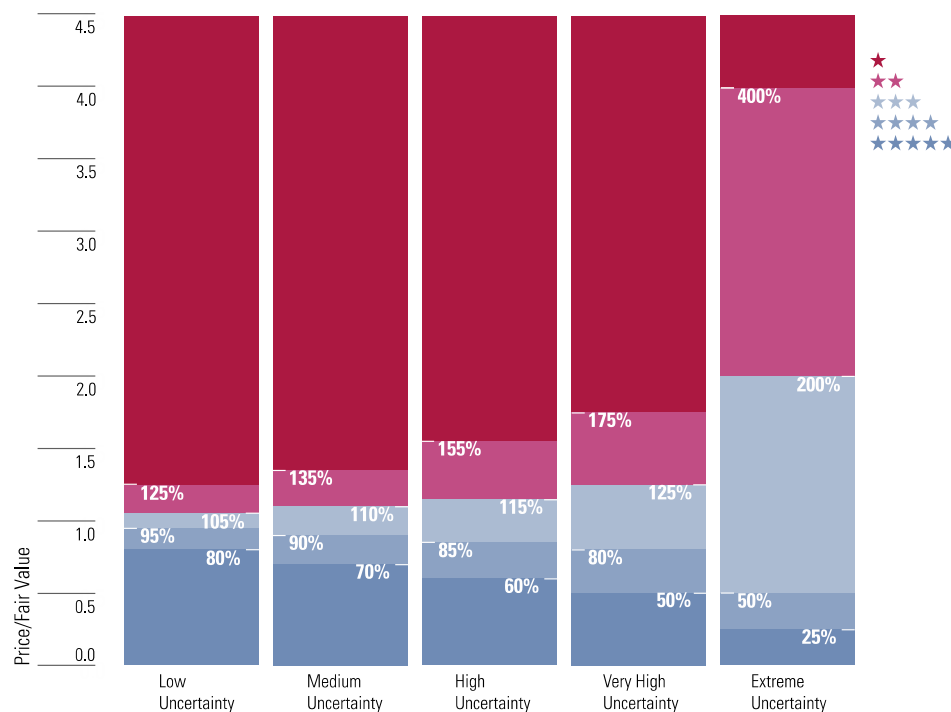
- ▶ Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ▶ Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ▶ High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ▶ Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ▶ Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

### 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>.

### Morningstar Equity Research Star Rating Methodology



### Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

## Research Methodology for Valuing Companies

### Other Definitions

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Stewardship Rating:** Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

### Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

### Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the

quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

### Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:

- (i) Quantitative Fair Value Estimate
  - (ii) Quantitative Star Rating
  - (iii) Quantitative Uncertainty
  - (iv) Quantitative Economic Moat
  - (v) Quantitative Financial Health
- (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

**Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to <https://shareholders.morningstar.com> for information about fair value estimates Morningstar's equity analysts assign to companies.

**Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

**Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair

Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.

$\text{Log (Quant FVE/Price)} < -1 * \text{Quantitative Uncertainty}$

★★: the stock is somewhat overvalued.

$\text{Log (Quant FVE/Price)}$  between  $(-1 * \text{Quantitative Uncertainty}, -0.5 * \text{Quantitative Uncertainty})$

★★★: the stock is approximately fairly valued.

$\text{Log (Quant FVE/Price)}$  between  $(-0.5 * \text{Quantitative Uncertainty}, 0.5 * \text{Quantitative Uncertainty})$

★★★★: the stock is somewhat undervalued.

$\text{Log (Quant FVE/Price)}$  between  $(0.5 * \text{Quantitative Uncertainty}, 1 * \text{Quantitative Uncertainty})$

★★★★★: the stock is undervalued with a reasonable margin of safety.  $\text{Log (Quant FVE/Price)} > 1 * \text{Quantitative Uncertainty}$

**Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- Low: the interquartile range for possible fair values is less than 10%.
- Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- Extreme: the interquartile range for possible fair values is greater than 80%.

**Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- Weak: assigned when Quantitative Financial Health  $< 0.2$
- Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- Strong: assigned when Quantitative Financial Health  $> 0.7$

## Research Methodology for Valuing Companies

### Other Definitions

**Last Close:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

This Report has not been made available to the issuer of the security prior to publication.

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A change in the fundamental factors underlying the quantitative equity ratings can mean that the valuation is subsequently no longer accurate.

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## Exelon Corp EXC (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★ 07 Feb 2019 22:45, UTC	48.13 USD 07 Feb 2019	40.00 USD 02 Nov 2018 22:29, UTC	1.20	2.87 07 Feb 2019	3.01 07 Feb 2019	46.54 07 Feb 2019	Utilities - Diversified	Standard

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Price/Fair Value Morningstar data as of Feb 07, 2019



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## Exelon Corp EXC (XNYS)

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07 Feb 2019 22:45, UTC	07 Feb 2019	02 Nov 2018 22:29, UTC		07 Feb 2019	07 Feb 2019	07 Feb 2019		

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## Exelon Corp EXC (XNYS)

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**Alert**

February 8, 2019

**Energy: Electric Utilities**

**NYSE: EXC**

## Exelon Corporation

### EXC - ALERT: 4Q18 Results and Guidance in Line

Paul T. Ridzon / (216) 689-0270 / [pridzon@key.com](mailto:pridzon@key.com)

EXC reported ongoing 4Q18 results of \$0.58 vs. \$0.56 in 4Q17. Guidance was introduced at \$3.00-\$3.30 for 2019.

**February 7, 2019 Close:** \$48.13

**4Q18 Ongoing EPS:** \$0.58 vs. \$0.56 in 4Q17 / Consensus of \$0.57 / KBCM of \$0.57

**Initial Take:** We expect a neutral to positive response as the quarter and 2019 guidance are aligned with expectations

**2018 KBCM EPS Estimate:** \$3.10 (Consensus: \$3.12) **Actual: \$3.12**

**2019 KBCM EPS Estimate:** \$3.15 (Consensus: \$3.17)

**Guidance:** Exelon initiated 2019 EPS guidance of \$3.00-\$3.30 with ExGen EPS of \$1.10-\$1.30; ComEd of \$0.70-\$0.80; PHI \$0.45-\$0.55; PECO of \$0.45-\$0.55; BGE of \$0.30-\$0.40; HoldCo at a loss of \$0.20; and a diluted share count of 973M for the year. EXC expects 1Q19 EPS of \$0.80-\$0.90.

#### Highlights:

- Rate base growth is expected at 7.8% through 2022 due to EXC's plans to invest \$23B of capital over the next four years.
- Results were in line with our estimate.
- TTM Consolidated Earned ROE came in at 9.7% vs. 9.5% y/y.
- EXC reported EPS of \$0.58 vs. \$0.56 in 4Q17 as primary drivers include: improved results at ExGen (-\$0.04); improved results at ComEd (+\$0.02); higher results at PECO (+\$0.03); and PHI [+ \$0.02 partly offset by lower results at BGE (-\$0.01)], and flat results at Corp.
- Generation segment ongoing earnings fell to \$0.22 vs. \$0.26 as market conditions (-\$0.18) and nuclear outages were partly offset by ZEC revenue (+\$0.04), capacity pricing (+\$0.04), tax cuts (+\$0.03), and other (+\$0.04).
  - ExGen hedged gross margin update in 2019 was affirmed to \$7.650B vs. the previous quarter of \$7.650B, and 2020 was updated to \$7.400B vs. 3Q18 of \$7.350B; 2021 was introduced at \$ 7.150B.
- ComEd ongoing results were \$0.15 vs. \$0.13 from distribution investment (+\$0.01) and Other (+\$0.01).
- PECO ongoing results were \$0.13 vs. \$0.10 on higher load, tax repairs deduction (+\$0.01), and other (+\$0.01).
- BGE earnings decreased to \$0.07 vs. \$0.08.
- PHI earned \$0.07 vs. \$0.05 in the quarter as increased distribution rates (+\$0.02) and a lower tax rate (+\$0.02) were partly offset by other (-\$0.03).
- HoldCo reported a loss of \$0.07 vs. a loss of \$0.07.

**10:00 a.m. ET Conference Call #:800-690-3108; ID#:8987805**

We will be focused on:

- Update on improving ROEs at the Utilities and the focus on regulated operations.
- Cost control initiative update.
- ExGen and subsidies update.
- Deleveraging efforts.

**For analyst certification and important disclosures, please refer to the Disclosure Appendix.**

## Disclosure Appendix

### Important Disclosures

#### Exelon Corporation - EXC

We have managed or co-managed a public offering of securities for Exelon Corporation within the past 12 months.

Exelon Corporation is an investment banking client of ours.

We have received compensation for investment banking services from Exelon Corporation during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from Exelon Corporation within the next three months.

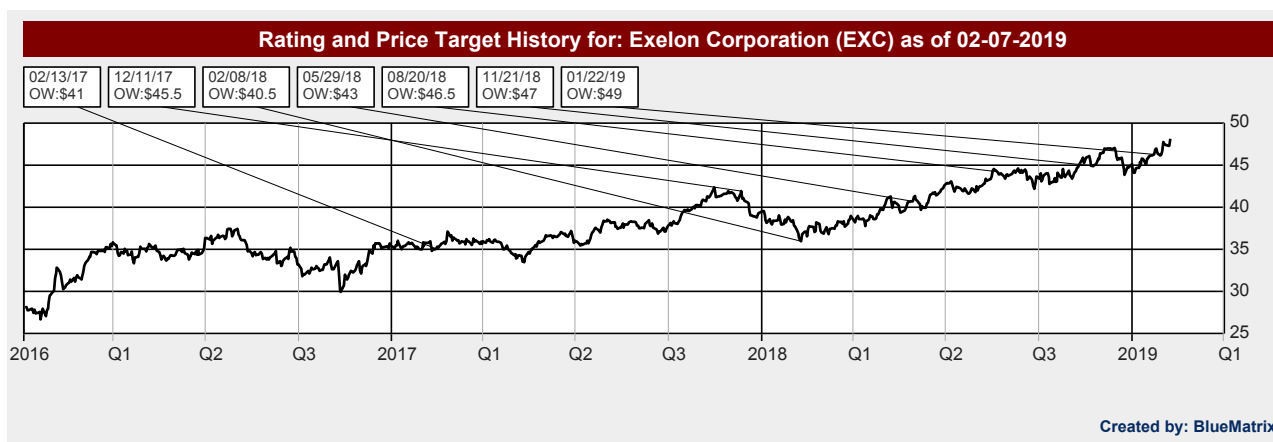
During the past 12 months, Exelon Corporation has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in Exelon Corporation.

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### Three-Year Rating and Price Target History



### Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector									
KeyBanc Capital Markets					Energy				
Rating	Count	Percent	IB Serv/Past 12 Mos.		Rating	Count	Percent	IB Serv/Past 12 Mos.	
			Count	Percent				Count	Percent
Overweight [OW]	284	46.63	63	22.18	Overweight [OW]	16	36.36	9	56.25
Sector Weight [SW]	312	51.23	53	16.99	Sector Weight [SW]	28	63.64	17	60.71
Underweight [UW]	13	2.13	2	15.38	Underweight [UW]	0	0.00	0	0.00

## Disclosure Appendix (cont'd)

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### **Rating System**

**Overweight** - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

**Sector Weight** - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

**Underweight** - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

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## Sentiment Indicator : neutral

Produced by Tucker, Shelby (RBC Capital Markets, LLC) on Friday, February 08, 2019, 07:55 AM ET

Disseminated on Friday, February 08, 2019, 07:58 AM ET

**Our View:** With generally in line 4Q18 results and 2019 guidance, we expect EXC to perform generally in line with peers today, though the increased capex outlook (\$23 billion for 2019-2022 versus \$21 billion for 2018-2021) could lead to some outperformance. We expect questions on the call to include (1) latest status of FERC proposed PJM auction reforms related to subsidized energy resources; (2) contribution expectation from NJ ZECs incorporated into guidance; (3) progress on cost savings initiatives and potential for incremental upside; (4) update on pending and potential rate reviews, particularly in the context of rate increase mitigation given the large utility capex program.

Exelon Corp (EXC; \$48.13; Outperform; \$51 PT) reported 4Q18 earnings of \$0.58 per share, slightly ahead of our/consensus estimate of \$0.57 and in line with 4Q18 guidance of \$0.50-\$0.65 per share. The result is also above 4Q17 adjusted earnings of \$0.55 per share.

**Provides 2019 guidance in line with expectations.** For 2019, EXC expects adjusted earnings of \$3.00-\$3.30/sh, which is in line with our estimate of \$3.26 and consensus of \$3.17. For 2019, EXC expects utility capex of ~\$5.3BN, which should help support EXC's target of 6-8% utility EPS growth through 2022.

4Q18 drivers below at ExGen, higher at utilities, and flat at corporate.

- 1 **ExGen (-\$0.04/sh year-over-year)**
  - o Market and portfolio conditions (-\$0.18)
  - o Nuclear outages (-\$0.01)
  - o Tax reform savings (+\$0.03)
  - o Capacity pricing (+\$0.04)
  - o Illinois ZECs (+\$0.04)
  - o Other (+\$0.04)
- 1 **Utilities (+\$0.06)**
  - o Load (+\$0.01)
  - o Rate increases (+\$0.02)
  - o Income taxes (+\$0.03)
- 1 **Corporate (\$0.00)**

**ExGen gross margin update raised slightly for 2020; introduced 2021.** The 2019 gross margin estimate remains at \$7.65 billion while the 2020 gross margin estimate was raised to \$7.40 billion from \$7.35 billion. For 2021, EXC expects ExGen gross margin of \$7.15 billion.

Conference call today at 10:00 AM ET. The dial-in number is (800) 690-3108 with passcode 8987805.

Company Name	Exchange	Ticker	Rating	Risk Qualifier	Price Target	Currency	Price	Price Date
Exelon Corporation	NYSE	EXC US	Outperform	Not Assigned	51.00	US Dollar	48.13	08 Feb 2019 07:42:24 ET

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## Exelon Corp. (EXC): EXC increases LT regulated growth, but guidance implies some near-term headwinds

**Exelon Corp (EXC, Sell) reported 4Q2018 operating EPS of \$0.58, beating GS/FactSet consensus forecasts of \$0.54/\$0.55.** EXC also issued 2019 EPS guidance of \$3.00-\$3.30 - with a midpoint of \$3.15, slightly below GS/Factset consensus estimates of \$3.21/\$3.17. The company also provided 1Q2019 guidance of \$0.80-0.90 compared to GS/Factset consensus of \$1.00/\$0.92

### Key highlights for EXC include:

- **ComEd, EXC's largest regulated segment, reported 4Q2018 ongoing EPS of \$0.15, above the GS estimate of \$0.12 and 4Q2017 EPS of \$0.13.** Among the other regulated subsidiaries, PECO reported EPS of \$0.13 vs GS at \$0.10, BGE at \$0.07 vs GS at \$0.08, and the PHI utilities reported EPS of \$0.07 vs GS at \$0.11.
- **Exelon Generation, reported 4Q2018 ongoing EPS of \$0.23, beating the GS estimate of \$0.17 but decreasing vs 4Q2017 EPS of \$0.26.** Market conditions for energy pricing created (\$0.18) of headwinds YoY, partly offset by improved capacity pricing, Illinois ZEC revenues, and a lower tax rate.
- **In its guidance detail, we highlight two items:**
  - **EXC raised its O&M guidance at ExGen by \$75mn in 2019 and 2020.** The company previously used 2018 as its base year in guidance, implying a 3-year O&M CAGR of (3.7%) - the updated 3-year CAGR, now using 2019 as a base year, implies an O&M CAGR of (1%).
  - **EXC increased its regulated capital spending in 2019/2020 by ~\$900mn in total,** as well guiding to higher rate base estimates - for example, 2021 forecast rate base grew from \$46bn to \$47.3bn. While the midpoint of EXC's regulated utility guidance increased \$0.05/year, the company continues to guide to 6%-8% regulated growth.

**Topics to monitor on today's call include** (1) additional color on the revisions to regulated growth guidance, (2) an overview of regional demand trends, (3) management insights on PJM market reform, (4) updates on potential nuclear subsidies in PA and other PJM states, and (5) commentary on the increase in O&M guidance at ExGen. We derive our 12-month price target of \$43 using a SOTP analysis. Key risks include natural gas prices, power prices, and regulation.

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<b>EXC</b>	12m Price Target: <b>\$43.00</b>	Price: <b>\$48.13</b>	Downside: <b>10.7%</b>
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Sell		GS Forecast			
Market cap: \$46.6bn Enterprise value: \$84.0bn 3m ADTV: \$260.2mn United States America-Diversified Utilities: Neutral M&A Rank: 3	Revenue (\$ mn)	12/17	12/18E	12/19E	12/20E
	EBITDA (\$ mn)	33,530.0	33,640.2	26,789.4	26,548.9
	EBIT (\$ mn)	7,639.0	8,440.3	8,985.1	9,002.5
	EPS (\$)	3,811.0	4,163.3	5,028.5	5,274.5
	P/E (X)	2.60	3.08	3.21	3.26
	EV/EBITDA (X)	14.3	15.6	15.0	14.8
	FCF yield (%)	9.4	9.9	9.3	9.3
	Dividend yield (%)	(0.3)	2.7	4.5	4.1
	Net debt/EBITDA (X)	3.5	2.9	3.0	3.2
		4.5	4.1	3.8	3.8
	EPS (\$)	9/18	12/18E	3/19E	6/19E
		0.88	0.54	1.00	0.77

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 7 Feb 2019 close.

## Disclosure Appendix

### Reg AC

We, Michael Lapides, Insoo Kim, CFA, David Fishman, CFA, Jack Pearl, Sarah Davis and Chitra Narayan Mahale, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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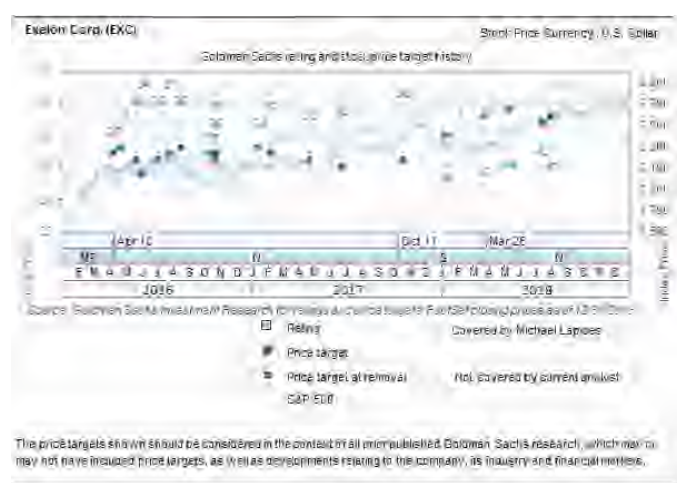
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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

February 6, 2019

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212 651 0847**The Guggenheim Daily Transmission: Santee Cooper, ACP, SRE, PCG, AVA, EXC, AEP, SO, FERC, Wind****For Guggenheim's NDR schedule, please scroll down****What's New?****Santee Cooper** – Lawmakers meet Wednesday to discuss potential sale**ACP/MVP** – Mountain Valley Pipe files Amicus Brief supporting ACP's En Banc petition**SRE** – Qatar and Exxon announce final investment decision on Texas Gulf LNG project**PCG** – New parties continue joining PCG safety culture OII proceeding**PCG** – Catastrophe bonds for PCG cost it almost \$27M for a \$200M cat bond according to bankruptcy filings**AVA** – Unprotected deferred taxes to be addressed in depreciation dockets.**EXC/PA** – Legislators signal intention to introduce nuclear support language**AEP** – Ohio renewables docket wrapping up**SO** – The Public Interest Advocacy Staff files brief in support of VCM19 stipulation**FERC** – Chuck Schumer reportedly floating LaFleur replacements on Hill**FERC** – Commissioners spar openly on Twitter over Vineyard Wind waiver**Wind** – Concerns mount over supply chain bottlenecks in advance of 2020 PTC expiration

Ticker	Price	Rating
AEP	79.01	Neutral
AVA	41.42	Neutral
D	71.93	Buy
EXC	47.29	Buy
LNT	44.36	Neutral
PCG	14.08	Neutral
SO	48.73	Neutral
SRE	117.09	Buy

**Santee Cooper – Lawmakers meet Wednesday to discuss potential sale**

- South Carolina lawmakers and Governor Henry McMaster will [meet](#) Wednesday to discuss offers to potentially acquire Santee Cooper.

**Guggenheim takeaway:** With over 10 offers for Santee Cooper and many of them designed to reduce debt associated with VC Summer, we question if lawmakers will be more open to a 100% sale. Earlier reports showed that the Senate did not have enough votes for 100% acquisitions but the new data point is coming after those earlier reports. DUK and NEP key bidders.

**ACP/MVP – Mountain Valley Pipe files Amicus Brief supporting ACP's En Banc petition**

- The Mountain Valley Pipeline filed its amicus brief in support of the Atlantic Coast Pipeline's motion for an "En Banc" review at the 4<sup>th</sup> Circuit Court.
- As a reminder, the "En Banc" review is related to ACP's U.S. Forest Service Permit.
- MVP's amicus brief states that, "The panel upended a century of public land law" and it "upsets a half-century of federal administrative practice."

**Guggenheim takeaway:** Data point, expected. On the earnings call there were some questions about the possibility of getting an en banc review but D seems confident it will happen, in our view. The review would expand the field of judges reviewing the case from the 3 panel that initially invalidated the permit to 15 with more diverse political backgrounds.

**SRE – Qatar and Exxon announce final investment decision on Texas Gulf LNG project**

- Exxon Mobil (XOM) and Qatar Petroleum on Tuesday announced a final decision on a \$10B project to export liquefied natural gas from the Texas Gulf Coast.
- The project is Exxon's Golden Pass terminal conversion from import to export.
- Work to convert the terminal near Port Arthur, Texas, will begin this quarter, with Exxon expecting start up in 2024 with 16 MTPA of capacity.

***Guggenheim takeaway:** The XOM project is located in close proximity to SRE's greenfield development project in Port Arthur. This may eliminate one potential partner for SRE, but we note SRE management has been vocal about looking for partners for LNG development and that SRE is still likely to find interest in a partnership as they have previous MOUs and purchase agreements with the likes of Total SA (TOT), Polish Oil and Gas, Mitsui (TYO: 8031) and Korea Gas (KRX: 036460).*

**PCG – New parties continue joining PCG safety culture OII proceeding**

- Sierra Club, Sonoma Clean Power and Pioneer Community Energy have filed motions for party status in the PCG Safety Culture OII.
- Docket: [11508019](#)

***Guggenheim takeaway:** The safety culture OII is a broad proceeding which initially featured an independent report by NorthStar consulting, the recommendations from which PCG largely implemented in 2017-2018. The PCU has now initiated phase II of the proceeding looking at a multitude of safety factors of the corporation including corporate governance and structure. By the language in the previous reports the investigation could contemplate compliance penalties or even changes in operating company structure.*

**PCG – Catastrophe bonds for PCG cost it almost \$27M for a \$200M cat bond according to bankruptcy filings**

- PCG spent \$27M in annual premium for the \$200M at-risk Cal Phoenix Re Ltd. (Series 2018-1) catastrophe bond.
- The bonds were unique as they were the first to focus exclusively on wildfire risks.

***Guggenheim takeaway:** The bond costs illustrate the high costs of insurance and financial risk mitigation faced by California utilities. This also brings up the theme of cost of capital – as capital flow becomes challenged in California, many alternatives for liability financing now bear a relatively high cost. It is logical for the utility cost of capital filings to see requested equity and debt costs to increase significantly. Cost of capital is due to be filed by EIX/PCG/SRE by April 2019.*

**AVA – Unprotected deferred taxes to be addressed in depreciation dockets.**

- The rejection of the AVA / Hydro One (H.TSE) merger application settlement left the issue of deferred taxes at AVA outstanding, which AVA now proposes to be handled in a tentative settlement in depreciation proceedings with the WA-UTC.
- The settlement-in-principle addresses the "continued deferral of the unprotected excess deferred income taxes of approximately \$10.4 million."
- Merger Docket [U-170970](#) (closed), depreciation dockets: UE-180167 and UG-180168

***Guggenheim takeaway:** This is the first steps in addressing the gaps left by the merger breakup for AVA. The determination of deferred tax treatment was required to be filed by February 4 and other regulatory issues we expect to arise are treatment of merger breakup fees and potentially a "limited scope proceeding" in 2019 for limited revenue rate adjustments excluding cost of capital, capital structure and other complex ratemaking issues.*

**EXC/PA – Legislators signal intention to introduce nuclear support language**

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- Pennsylvania legislators are moving forward with language to support the state's nuclear units, with a memo submitted to the House of Representatives seeking co-sponsors for a bill that would include nuclear in the state's RPS.
- "Please join me in sponsoring legislation that would update the Pennsylvania Alternative Energy Portfolio Standards (AEPS) Act to recognize nuclear energy for its significant contribution to this state's zero-carbon energy production." - Representative Thomas L. Mehaffie, III
- House Co-Sponsorship Memoranda available [HERE](#), Pro-Nuclear trade group Nuclear Powers Pennsylvania statement available [HERE](#).

**Guggenheim takeaway:** Very much as expected following messaging from the Nuclear Caucus, with the mechanism in line with some of the recommendations previously put forward in their report. This is still early innings for the legislative cycle – we are currently on the lookout for who would be considered 'key support' within the legislature given the oil & gas lobby is not likely to lie down on the issue. We will also be on the lookout for any key data points from EXC mgmt. on the 4Q18 call this Friday, given the large amount of capacity they own in the state. Stay tuned...

**AEP – Ohio renewables docket wrapping up**

- The AEP Ohio renewables [docket](#) is wrapping up.
- The hearing process is expected to finish up this week and parties will file briefs in the first week of March.
- A Commission final order could come in April or May.

**Guggenheim takeaway:** Data point, docket activity seems to be wrapping up and the Commission is expected to rule but we will have at least one new PUCO member, possibly two, by that time. As a reminder the staff said there was no need for the 900MW of renewable that was demonstrated. The Commission will need to step away from the staff recommendation if the renewables plan is to be approved.

**SO – The Public Interest Advocacy Staff files brief in support of VCM19 stipulation**

- The Georgia Public Service Commission Public Interest Advocacy Staff [filed](#) a brief in support of the recent stipulation with Georgia Power.

**Guggenheim takeaway:** VCM19 is wrapping up - we could see a commission stamp of approval soon. This will close the books on VCM19 and, in our view, continues to illustrate the constructive relationship SO fosters with regulators and the public interest staff.

**FERC – Chuck Schumer reportedly floating LaFleur replacements on Hill**

- E&E is [reporting](#) that Senate Minority Leader Chuck Schumer has floated Alison Clements, formerly of the NRDC's Sustainable FERC Project, as a replacement for Cheryl LaFleur.

**Guggenheim takeaway:** For your awareness and part of the Potomac Two-Step. Clements is an experienced hand in our view, but we imagine this field will grow crowded before the process runs its course. Stay tuned.

**FERC – Commissioners spar openly on Twitter (TWTR) over Vineyard Wind waiver**

- On Tuesday evening Chair Chatterjee responded directly to Commissioner Glick and LaFleur's joint statement regarding the Commission's "failure to act" on Vineyard Wind's ISO-NE capacity market waiver request
- "I am also disappointed that we were unable to act on the waiver request. However, I do not discuss the Commission's internal deliberations with the public. Doing so would undermine the Commission's process. Suffice it to say that internal deliberations are often complex and involve many issues. As always, the Commission speaks through its orders, not through individual statements by Commissioners." – Chair Chatterjee

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- Tweets available [HERE](#).

**Guggenheim takeaway:** “Spar” may be a strong word here, but it is somewhat unusual to see FERC comments like these. The Commission remains split along 2-2 partisan lines, with data points like these only further fueling our view that major policy initiatives may be delayed until the impasse is resolved. Stay tuned...

**Wind – Concerns mount over supply chain bottlenecks in advance of 2020 PTC expiration**

- Analyses by WoodMackenzie, reinforced by developers’ [comments](#), indicate that the large burst of wind construction slated for the run up to the PTC expiration in 2020 may pose logistical challenges worth some \$2.1bn.
- Developers lament a lack of sufficiently sized cranes, concerns about turbine manufacturing schedules.
- WoodMackenzie report available [HERE](#).

**Guggenheim takeaway:** For your awareness, and not something we have heard of yet from names under coverage that are currently heavily involved in wind (e.g. LNT), but we remain on the lookout for additional data points.

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## Guggenheim's Power & Utility Comp Sheet

Price as of Close Tuesday, February 05, 2019

Price as of Close									Guggenheim										Consensus									
Tuesday, February 05, 2019																												
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	39.0	Neutral	\$78	\$79.01	3.5%	62%	493	3.95	4.17	4.44	4.71	4.93	20.0	18.9	17.8	16.8	16.0	3.95	4.12	4.38	4.65	5.00	20.0	19.2	18.0	17.0	15.8
ALE	ALLETE	3.9	Neutral	\$74	\$76.14	3.3%	64%	51	3.34	3.71	4.01	4.20	4.46	22.8	20.5	19.0	18.1	17.1	3.37	3.62	3.93	4.10	4.46	22.6	21.0	19.4	18.6	17.1
AVA	Avista*	2.7	Neutral	\$42	\$41.42	3.9%	71%	66	2.05	2.19	2.31	2.38	2.45	20.2	18.9	18.0	17.4	16.9	2.09	2.12	2.28	2.38	2.45	19.8	19.5	18.2	17.4	16.9
CMS	CMS Energy	14.7	Neutral	\$53	\$52.05	3.1%	61%	283	2.35	2.50	2.69	2.88	3.08	22.2	20.8	19.4	18.1	16.9	2.33	2.50	2.68	2.87	3.07	22.3	20.8	19.4	18.1	16.9
DUK	Duke Energy	63.1	Buy	\$94	\$88.50	4.4%	75%	713	4.78	5.00	5.26	5.57	5.91	18.5	17.7	16.8	15.9	15.0	4.75	4.95	5.23	5.54	5.86	18.6	17.9	16.9	16.0	15.1
ED	Consolidated Edison	24.2	Neutral	\$82	\$77.59	3.9%	66%	311	4.25	4.36	4.61	4.79	4.95	18.3	17.8	16.8	16.2	15.7	4.29	4.30	4.53	4.79	4.91	18.1	18.0	17.1	16.2	15.8
EIX	Edison International*	18.3	Buy	\$69	\$56.14	4.8%	55%	326	4.15	4.57	4.93	5.37	5.70	13.5	12.3	11.4	10.4	9.8	4.17	4.50	4.79	5.00	5.30	13.5	12.5	11.7	11.2	10.58
ES	Eversource Energy	22.0	Buy	\$72	\$69.31	3.3%	61%	317	3.27	3.51	3.71	3.94	4.17	21.2	19.8	18.7	17.6	16.6	3.28	3.48	3.70	3.91	4.17	21.1	19.9	18.7	17.7	16.63
ETR	Entergy	16.2	Buy	\$96	\$89.19	4.3%	67%	181	7.02	5.94	5.66	5.92	6.33	12.7	15.0	15.7	15.1	14.1	6.83	5.93	5.73	5.84	5.98	13.1	15.1	15.6	15.3	14.5
EVRG	Evergy	15.1	Buy	\$63	\$57.44	3.6%	64%	263	2.63	2.93	3.27	3.42	3.58	21.8	19.6	17.6	16.8	16.1	2.59	2.94	3.29	3.43	3.58	22.2	19.5	17.5	16.7	16.0
FE	FirstEnergy	19.8	Buy	\$46	\$38.69	4.1%	63%	511	2.56	2.54	2.51	2.65	2.80	15.1	15.2	15.4	14.6	13.8	2.54	2.57	2.52	2.64	2.78	15.2	15.1	15.3	14.7	13.9
LNT	Alliant Energy	10.5	Neutral	\$41	\$44.36	3.4%	64%	236	2.18	2.24	2.37	2.50	2.69	20.3	19.8	18.7	17.8	16.5	2.16	2.26	2.40	2.54	2.69	20.5	19.7	18.5	17.5	16.5
PCG	PG&E Corporation*	7.3	Neutral	NA	\$14.08	0.0%	0%	519	3.84	4.07	4.39	4.57	4.67	3.7	3.5	3.2	3.1	3.0	3.82	4.03	4.24	4.29	4.21	3.7	3.5	3.3	3.3	3.3
PNW	Pinnacle West	9.8	Neutral	\$89	\$87.57	3.6%	63%	112	4.49	4.84	5.04	5.25	5.45	19.5	18.1	17.4	16.7	16.1	4.48	4.85	5.03	5.27	5.42	19.5	18.1	17.4	16.6	16.2
POR	Portland General Electric	4.3	Neutral	\$44	\$47.81	3.4%	63%	89	2.32	2.43	2.54	2.68	2.75	20.6	19.7	18.8	17.9	17.4	2.35	2.45	2.56	2.69	2.75	20.4	19.5	18.7	17.8	17.39
PPL	PPL Corporation	22.4	Neutral	\$29	\$31.06	5.8%	70%	720	2.36	2.44	2.61	2.74	2.85	13.2	12.7	11.9	11.3	10.9	2.36	2.44	2.55	2.58	2.84	13.2	12.7	12.2	12.0	10.96
SO	Southern Company	50.1	Neutral	\$44	\$48.73	5.2%	81%	1029	3.07	3.05	3.15	3.31	3.46	15.9	16.0	15.4	14.7	14.1	3.04	3.02	3.13	3.25	3.45	16.0	16.2	15.6	15.0	14.15
WEC	WEC Energy	23.0	Buy	\$76	\$73.03	3.4%	67%	316	3.32	3.50	3.73	3.98	4.26	22.0	20.8	19.6	18.4	17.2	3.33	3.51	3.74	3.97	4.24	21.9	20.8	19.5	18.4	17.21
*Average (Excl. EIX, PCG, PPL for P/E)						3.7%	62%							19.4 18.6 17.7 16.8 16.0										19.4 18.7 17.7 16.9 16.0				
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	9.8	Buy	\$29	\$26.40	3.0%	58%	372	1.28	1.38	1.48	1.58	1.68	20.7	19.1	17.9	16.7	15.7	1.28	1.34	1.44	1.57	1.68	20.7	19.8	18.3	16.9	15.7
NJR	New Jersey Resources	4.2	Sell	\$39	\$47.95	2.5%	60%	89	2.74	2.01	2.19	2.36	2.54	17.5	23.8	21.9	20.3	18.9	2.74	2.12	2.25	2.33	2.54	17.5	22.6	21.3	20.6	18.9
NWN	NW Natural Gas	1.8	Sell	\$49	\$60.83	3.1%	78%	29	2.17	2.44	2.60	2.66	2.71	28.0	25.0	23.4	22.8	22.4	2.22	2.46	2.58	2.64	2.71	27.4	24.7	23.6	23.0	22.4
SR	Spire	4.0	Neutral	\$77	\$78.76	3.1%	65%	51	3.74	3.75	3.92	4.06	4.30	21.0	21.0	20.1	19.4	18.3	3.72	3.74	3.90	3.99	4.30	21.2	21.1	20.2	19.8	18.3
VVC	Vectren*	6.0	Neutral	\$72	\$72.38	2.7%	63%	83	2.89	3.09	3.27	3.47	3.71	25.0	23.4	22.1	20.8	19.5	2.88	3.05	3.28	3.47	3.71	25.1	23.7	22.1	20.9	19.5
*Average (Excl. VVC)						3.1%	66%							21.8 22.2 20.8 19.8 18.8										21.7 22.0 20.9 20.1 18.8				
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	45.7	Buy	\$53	\$47.29	3.0%	45%	967	3.09	3.16	3.25	3.17	3.21	15.3	14.9	14.5	14.9	14.7	3.12	3.17	3.20	3.18	3.35	15.1	14.9	14.8	14.9	14.1
PEG	PSEG	27.7	Buy	\$59	\$54.90	3.4%	58%	505	3.13	3.28	3.49	3.61	3.83	17.6	16.7	15.7	15.2	14.3	3.10	3.25	3.55	3.67	3.88	17.7	16.9	15.5	15.0	14.2
Average						3.2%	51%							16.4 15.8 15.1 15.1 14.5										16.4 15.9 15.1 14.9 14.1				
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.8	Buy	\$51	\$40.69	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	NA	NA	NA	NA	NA	1,775	2,008	1,835	1,840	1,936	9.7	8.4	8.9	9.2	NA
VST	Vistra Energy	12.7	Buy	\$37	\$25.20	2.0%	0%	504	2,800	3,307	3,355	3,402	3,402	8.3	7.2	6.9	6.7	6.5	2,760	3,332	3,247	3,217	3,654	8.2	8.6	6.6	6.0	NA
Average														8.3 7.2 6.9 6.7 6.5										9.0 7.5 7.8 7.6 NA				
Multi-Industry Utilities <sup>(6)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.5	Buy	\$33	\$30.83	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.5	17.9	17.0	16.1	15.3	1.58	1.69	1.82	1.94	2.02	19.5	18.2	17.0	15.9	15.3
D	Dominion	58.1	Buy	\$82	\$71.93	5.1%	84%	808	4.02	4.37	4.62	4.91	5.33	17.9	16.5	15.6	14.7	13.5	4.05	4.22	4.43	4.68	4.94	17.8	17.0	16.2	15.4	14.6
DTE	DTE Energy	21.3	Buy	\$129	\$117.30	3.2%	60%	182	6.40	6.32	6.84	7.34	7.70	18.3	18.6	17.2	16.0	15.2	6.33	6.24	6.58	7.04	7.43	18.5	18.8	17.8	16.7	15.8
NEE	NexEra	85.2	Buy	\$205	\$178.17	2.8%	58%	478	7.83	8.63	9.19	9.91	10.52	22.7	20.6	19.4	18.0	16.9	7.70	8.40	9.07	9.75	10.49	23.1	21.2	19.6	18.3	17.0
OGE	OGE Energy	8.1	Neutral	\$41	\$40.70	3.7%	70%	200	2.06	2.14	2.30	2.41	2.51	19.7	19.0	17.7	16.9	16.2	2.07	2.14	2.31	2.41	2.51	19.6	19.0	17.6	16.9	16.2
SRE	Sempra Energy	32.0	Buy	\$133	\$117.09	3.3%	64%	274	5.47	6.13	7.29	7.60	7.96	21.4	19.1	16.1	15.4	14.7	5.47	6.04	7.19	7.55	7.88	21.4	19.4	16.3	15.5	14.9
Average						3.6%	67%							19.9 18.6 17.1 16.2 15.3										20.0 19.0 17.4 16.4 15.6				
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	17.3	Neutral	\$96	\$95.86	2.0%	54%	181	3.30	3.61	3.96	4.27	4.60	29.0	26.6	24.2	22.4	0.0	3.30	3.58	3.88	4.24	4.59	29.1	26.8	24.7	22.6	20.9
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	#N/A	Neutral	\$17	\$14.24	9.3%	NA	183	1,039	1,069	1,116	1,159	1,159	NA	NA	NA	NA	NA	995	1,059	1,134	1,155	NA	8.3	8.2	7.9	7.5	-
NEP	NexEra Energy Partners	2.3	Buy	\$56	\$40.48	5.0%	NA	56	1.106	1,393	1,560	1,811	1,811	8.8	7.6	7.3	7.0	0.0	881	1,125	1,286	1,496	1,981	11.0	9.4	8.8	8.4	NA

*Note: We are currently restricted on SJI due to the firm's investment banking activities*

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

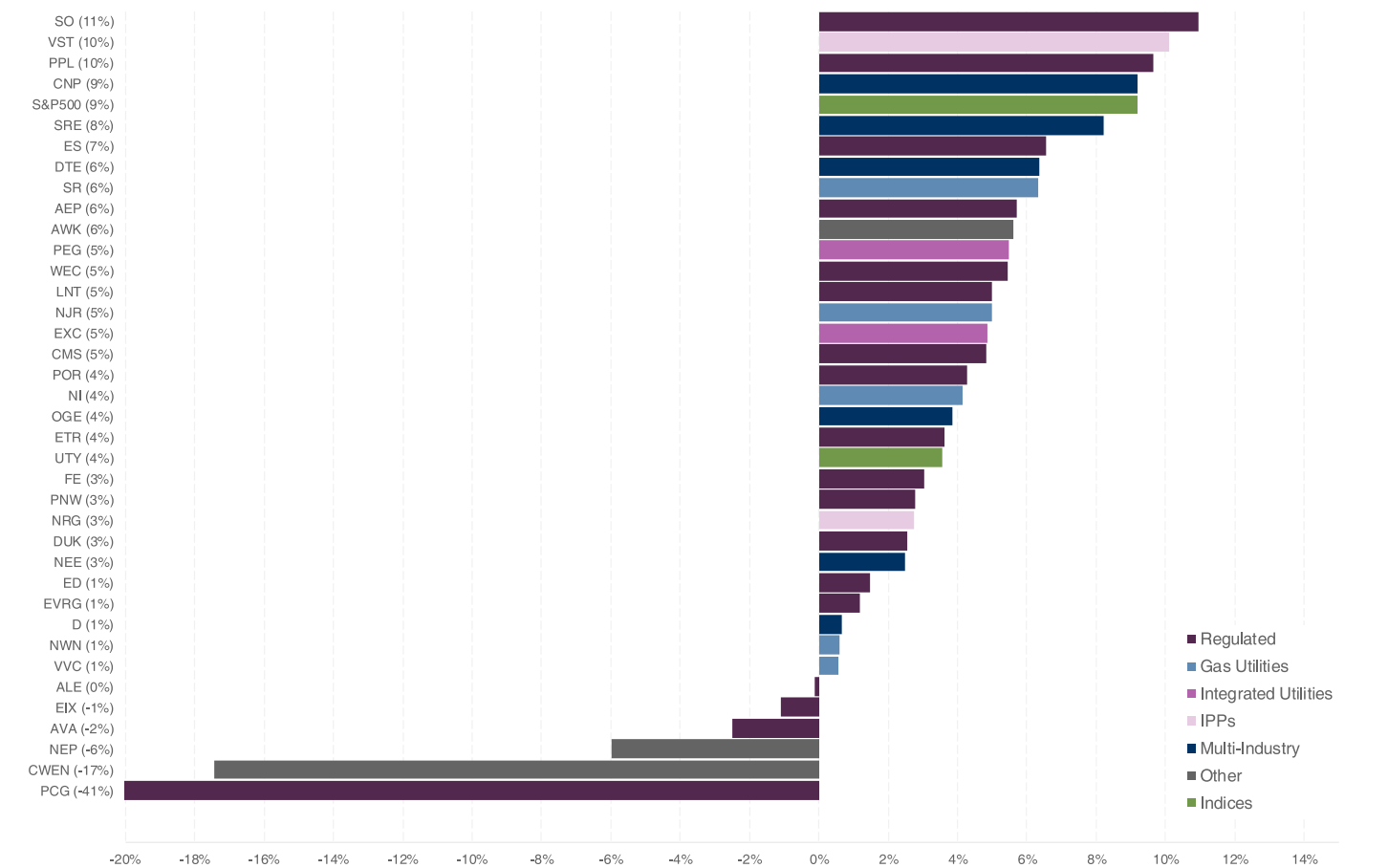
**Source:** Bloomberg, Guggenheim Securities, LLC estimates.

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

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- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	ALE	4/2-4/4	TBD
FE	1/22-1/23	Boston/NYC	POR	4/29-4/30	West Coast
D	2/25-2/26	Boston/NYC	LNT	6/4	Boston
WEC	2/27-2/28	West Coast	DUK	6/6-6/7	Midwest
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/25	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/25-3/26	Boston/NYC			

**MORE TO BE ADDED...**

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**Key Research****Guggenheim's Forward Commodity Curves**

- [Forward Commodity Curves for Power & Utility Modeling](#)

**Key Industry Research**

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [CA Policy Speaker Series Recap II: Michael Gatto, Former CA Legislator on Legislative, Regulatory and Bankruptcy Process in California](#)
5. [CA Policy Speaker Series Recap I: Timothy Simon, Former CPUC Commissioner on CA Legislature, CPUC and Potential PCG Bankruptcy Process](#)
6. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
7. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
8. [Guggenheim's 2018 EEI Summary](#)
9. [Guggenheim EEI Takeaways - Day 3](#)
10. [Guggenheim EEI Takeaways - Day 2](#)
11. [Guggenheim EEI Takeaways - Day 1](#)
12. [Guggenheim EEI - Investor Question Bank](#)
13. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
14. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
15. [Coal/Nuclear: Will Politics "Trump" Reality](#)
16. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
17. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
18. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
19. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
20. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
21. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
22. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
23. [Guggenheim EEI Takeaways - Day 1](#)
24. [Guggenheim EEI Takeaways - Day 2](#)
25. [Guggenheim EEI Takeaways - Day 3](#)
26. [Utility and IPP 3Q17 Model Sweep](#)
27. [DOE Texas Tango – Will FERC Dance?](#)
28. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
29. [AGA Conference Highlights and Management Meeting Takeaways](#)
30. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

**Key Company Research**

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [PCG Exonerated for Tubbs Fire; Reinforces Premature Bankruptcy View](#)
3. [PCG—Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
4. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
5. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
6. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
7. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
8. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
9. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
10. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
14. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
15. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
16. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
17. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
18. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
19. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
20. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
21. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)

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22. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
23. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
24. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
25. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
26. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
27. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
28. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
29. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
30. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
31. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
32. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
33. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
34. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
35. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
36. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
37. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
38. [PNW NDR – Grid Mod., Tech & the Utility 2.0: Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
39. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
40. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
41. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
42. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
43. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
44. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
45. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
46. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)

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U.S. Equity Research

February 4, 2019

**Energy Research**  
**Power & Utilities**  
**Estimates Change**

# Exelon Corporation

## Updating 2018-2021 EPS Estimates

### Summary

Mizuho updates our 2018-2021 EPS estimates for Exelon Corporation. We maintain a Neutral rating and increase our price target to \$47.50.

### Key Points

- We update our 2018-2021 Utility, Parent and Other EPS estimates to \$1.73, \$1.88, \$2.03, and \$2.15, respectively from \$1.69, \$1.87, \$2.03, and \$2.14.
- Our UPO estimates are \$0.04 higher in 2018 reflecting assumed stronger results at Exelon's Commonwealth Edison (CWE) subsidiary. CWE authorized return on equity is equivalent to a 580 basis point premium to the 30-year treasury rate.
- We update our Consolidated EPS estimates to \$3.16, \$3.38, \$3.40, and \$3.19, respectively, from \$3.13, \$3.28, \$3.29, and \$3.10, respectively.
- Our Exelon Generation (ExGen) estimates are \$0.09 higher in 2019, \$0.11 higher in 2020, and \$0.08 higher in 2021, which includes an update of commodity price forwards as of December 31, 2018 (versus our previous price deck of September 30, 2018). Most of the improvement relates to higher base load prices in Chicago and Philadelphia.

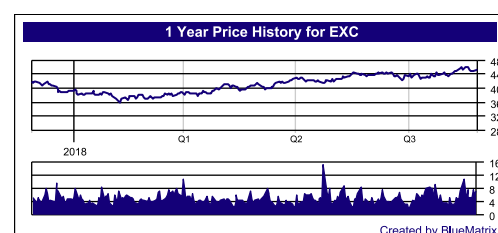
<b>Rating</b>	<b>Neutral</b>
Previous Rating	No Change
<b>Price (2/01)</b>	<b>\$47.46</b>
<b>Price Target</b>	<b>\$47.50</b>
Previous Price Target	\$45.50

### Key Data

Symbol	EXC (NYSE)
52-Week Range	\$47.93 - \$35.57
Market Cap (\$mm)	\$45,842
Shares Outstanding (mm)	965.9
Float	964.1
Average Daily Volume	5,785,576
Dividend/Yield	\$1.31/2.8%
% Change YTD	5
1 year Return	30

### Fiscal Year-End: Dec 31

	2017A	2018E		2019E	
		Prior	Curr	Prior	Curr
<b>Earnings per Share (\$)</b>					
1Q	—	—	—	—	—
2Q	—	—	—	—	—
3Q	—	—	—	—	—
4Q	—	—	—	—	—
<b>Yr</b>	<b>2.60A</b>	<b>3.13E</b>	<b>3.16E</b>	<b>3.28E</b>	<b>3.38E</b>
P/E	18.3x	—	15.0x	—	14.0x
<b>EBITDA (\$mm)</b>					
1Q	—	—	—	—	—
2Q	—	—	—	—	—
3Q	—	—	—	—	—
4Q	—	—	—	—	—
<b>Yr</b>	<b>8,569.0A</b>	<b>8,644.0E</b>	<b>8,690.0E</b>	<b>8,989.0E</b>	<b>9,109.0E</b>



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### *Estimate Change*

We are adjusting our estimates as follows following an update of our forecast model.

#### **Exhibit 1: EPS Estimate Changes**

<b>Consolidated</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Current	\$3.16	\$3.38	\$3.40	\$3.19
Prior	\$3.13	\$3.28	\$3.29	\$3.10
Difference	\$0.03	\$0.10	\$0.11	\$0.09

<b>UPO</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Current	\$1.73	\$1.88	\$2.03	\$2.15
Prior	\$1.69	\$1.87	\$2.03	\$2.14
Difference	\$0.04	\$0.01	(\$0.00)	\$0.01

Source: Company reports, MSUSA estimates

### *Valuation*

#### **Base Case**

Using a sum of the parts analysis on 2021 results we derive a price target of \$47.50 per share. Based on the February 1, 2019 closing price of \$47.46, this represents price appreciation potential of 0.1% and total return potential of 3.0% including the company's current yield of 2.9%. Our price target is derived as follows:

We value the regulated electric distribution and transmission 2021 earnings of \$2.00 using a P/E multiple of 16.9 times, equivalent to the electric group average multiple, resulting in a price target of \$34.00.

We value the regulated gas distribution 2021 earnings of \$0.37 using a P/E multiple of 19.4 times, equivalent to the gas group average multiple, resulting in a price target of \$7.00.

We value ExGen 2021 generation EBITDA less maintenance capex of \$986 million plus \$290 million to account for PJM Fast Start at an 8.6 times EV/EBITDA multiple resulting in a price target of \$4.50.

We value ExGen retail 2021 EBITDA of \$946 million at a 6.5 times EV/EBITDA multiple resulting in a price target of \$6.50.

Adjusting for unallocated debt, net of a 28% tax shield, of \$4.4B reduces the price by \$4.50.

Consistent with our methodology, our price targets are dynamic, changing with the group average P/E multiples recalculated on a daily basis.



### Bull Case

Under our bull case scenario generation EBITDA would increase by \$515 million based on assumed market heat rate expansion of 1,000. Using an 8.6 times multiple on merchant generation results in a \$4.50 positive revision in our price target.

### Bear Case

Under our bear case assumption the company's rights to receive an estimated \$700 million of ZEC payments in New York, Illinois and New Jersey would be overturned.

### Company Model

In the pages that follow, we highlight our detailed consolidated financial model, including both historical and projections for income statement, cash flow and balance sheet 2015 to 2021. To derive the consolidated results, we modeled full financials for each operating subsidiary. To see the full models please reach out to us through our contact information on the front page.

## Exhibit 2: EXC Income Statement

Consolidated Income Statement (\$ millions)							
	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Revenues	\$20,700	\$31,905	\$33,701	\$34,966	\$34,822	\$34,973	\$34,975
Cost of Goods Sold	4,602	13,035	13,963	15,476	15,272	15,254	15,269
O&M	8,232	9,196	9,438	9,241	8,861	8,862	8,865
Other Expenses	(4)	(6)	(2)	(3)	(4)	(3)	(3)
Taxes Other than Income	1,200	1,575	1,733	1,562	1,585	1,608	1,631
<b>EBITDA</b>	<b>\$6,670</b>	<b>\$8,105</b>	<b>\$8,569</b>	<b>\$8,690</b>	<b>\$9,109</b>	<b>\$9,252</b>	<b>\$9,213</b>
D&A	2,450	3,232	3,576	3,630	3,786	3,939	4,093
<b>EBIT</b>	<b>\$4,220</b>	<b>\$4,873</b>	<b>\$4,993</b>	<b>\$5,060</b>	<b>\$5,323</b>	<b>\$5,313</b>	<b>\$5,120</b>
Interest	1,079	1,383	1,502	1,441	1,438	1,408	1,475
Other Income	271	289	418	266	267	268	269
<b>EBT</b>	<b>\$3,412</b>	<b>\$3,779</b>	<b>\$3,909</b>	<b>\$3,885</b>	<b>\$4,153</b>	<b>\$4,173</b>	<b>\$3,914</b>
Taxes	1,165	1,299	1,441	819	876	879	820
Preferred Dividends	20	(8)	0	0	0	0	0
<b>Net Income</b>	<b>\$2,227</b>	<b>\$2,488</b>	<b>\$2,468</b>	<b>\$3,066</b>	<b>\$3,276</b>	<b>\$3,295</b>	<b>\$3,094</b>
<b>EPS</b>	<b>\$2.49</b>	<b>\$2.68</b>	<b>\$2.60</b>	<b>\$3.16</b>	<b>\$3.38</b>	<b>\$3.40</b>	<b>\$3.19</b>

Source: Company reports, MSUSA estimates



### Exhibit 3: EXC Cash Flow Statement

Consolidated Cash Flow Statement (\$ millions)							
	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Net Income	\$2,227	\$2,467	\$2,431	\$3,029	\$3,239	\$3,258	\$3,057
Depreciation	2,355	3,282	3,474	3,528	3,684	3,837	3,991
Deferred Taxes	657	774	659	367	214	230	229
Maintenance Cap-Ex	(2,292)	(2,958)	(3,091)	(3,175)	(3,331)	(3,385)	(3,515)
Growth Cap-Ex	(3,574)	(4,545)	(4,009)	(3,250)	(2,769)	(2,790)	(2,610)
Net Cash Generation	(627)	(980)	(536)	499	1,037	1,150	1,152
EBITDA + Other Income	6,897	8,554	8,901	8,867	9,286	9,429	9,390
Interest Expense	325	735	677	661	724	842	919
Pfd. Dividends	(14)	(9)	4	4	4	4	4
Common Dividends	1,105	1,166	1,266	1,337	1,404	1,474	1,548

Source: Company reports, MSUSA estimates

### Exhibit 4: EXC Balance Sheet

Consolidated Balance Sheet (\$ millions)							
	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Cash & Equivalents	\$2,940	\$2,007	\$966	\$2,035	\$1,299	\$747	\$747
Short Term Debt	\$1,154	\$1,331	\$1,014	\$1,123	\$1,123	\$1,123	\$1,123
Revolver	0	0	0	0	0	116	16
Current Portion of Long Term Debt	1,674	2,032	1,512	2,039	2,137	1,337	1,250
Long Term Debt	22,884	32,269	32,233	32,054	30,632	30,495	31,195
0	0	0	0	0	0	0	0
<b>Total Debt</b>	<b>\$25,712</b>	<b>\$35,632</b>	<b>\$34,759</b>	<b>\$35,216</b>	<b>\$33,892</b>	<b>\$33,071</b>	<b>\$33,584</b>
Preferred Stock	0	0	0	0	0	0	0
<b>Total Debt &amp; Preferred</b>	<b>\$25,712</b>	<b>\$35,632</b>	<b>\$34,759</b>	<b>\$35,216</b>	<b>\$33,892</b>	<b>\$33,071</b>	<b>\$33,584</b>
Shareholder's Equity	26,876	25,990	24,366	24,165	23,970	23,585	22,810
Goodwill Portion of Equity	0	0	0	0	0	0	0
Goodwill / Shareholder's Equity	0	0	0	0	0	0	0
<b>Total Book Capitalization</b>	<b>\$52,588</b>	<b>\$61,622</b>	<b>\$59,125</b>	<b>\$59,381</b>	<b>\$57,862</b>	<b>\$56,657</b>	<b>\$56,395</b>
Off-Balance Sheet Debt	0	0	0	0	0	0	0
Consolidated Debt/Pfd. Assoc. w/Min. Int. E	0	0	0	0	0	0	0
<b>Total Credit Capitalization</b>	<b>\$52,588</b>	<b>\$61,622</b>	<b>\$59,125</b>	<b>\$59,381</b>	<b>\$57,862</b>	<b>\$56,657</b>	<b>\$56,395</b>

Source: Company reports, MSUSA estimates



## Price Target Calculation and Key Risks

**Price Target Calculations:** Our price target is derived as follows: (i) we value the regulated electric distribution and transmission 2021 earnings of \$2.00 using a P/E multiple of 16.9 times, equivalent to the electric group average multiple, resulting in a price target of \$34.00; (ii) we value the regulated gas distribution 2021 earnings of \$0.37 using a P/E multiple of 19.4 times, equivalent to the gas group average multiple, resulting in a price target of \$7.00; (iii) we value ExGen 2021 generation EBITDA less maintenance capex of \$986 million plus \$290 million to account for PJM Fast Start at an 8.6 times EV/EBITDA multiple resulting in a price target of \$4.50; (iv) we value ExGen retail 2021 EBITDA of \$946 million at a 6.5 times EV/EBITDA multiple resulting in a price target of \$6.50; (v) Adjusting for unallocated debt, net of a 28% tax shield, of \$4.4B reduces the price by \$4.50. **Consistent with our methodology, our price targets are dynamic, changing with the group average P/E multiples recalculated on a daily basis.**

**Key Risks:** Weak commodity outlook, general economic conditions, changes in state and/or Federal regulation, weather, ongoing business operational risk, broader macroeconomic conditions, and interest rate movements are among the key risks to our rating and expected stock performance.

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**Investment Risks and Valuation Methods can be located in the following section of this research report - Price Target Calculation and Key Risks.**

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**Buy:** Stock's total return is expected to appreciate above the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 12 months.

**Neutral:** Stock's total return is expected to be within the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 12 months.

**Underperform:** Stock's total return is expected to depreciate below the average total return of the analyst's industry coverage universe, on a risk-adjusted basis, over the next 12 months.

**RS:** Rating Suspended - rating and price objective temporarily suspended.

**NR:** No Rating - not covered, and therefore not assigned a rating.

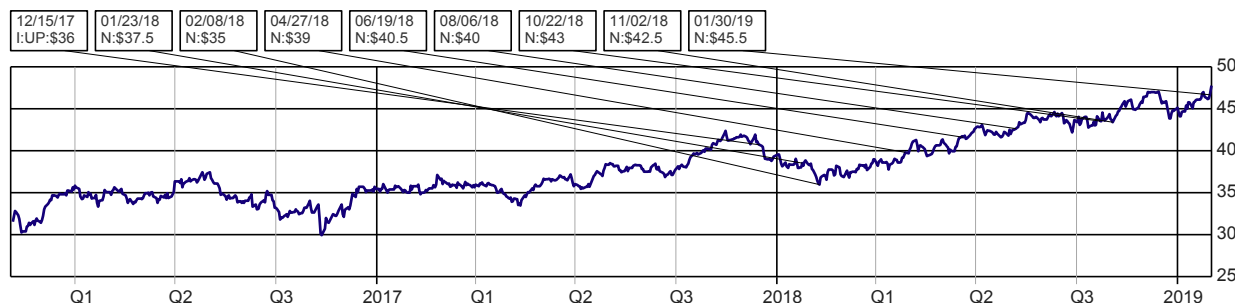
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<b>Neutral:</b>	Stocks for which the anticipated share price appreciation is within 10% of the share price.
<b>Underperform:</b>	Stocks for which the anticipated share price falls by 10% or more.
<b>RS:</b>	Rating Suspended - rating and price objective temporarily suspended.
<b>NR:</b>	No Rating - not covered, and therefore not assigned a rating.

**Rating Distribution**

(As of 2/01 )	% of coverage	IB service past 12 mo
Buy (Buy)	55.62%	51.91%
Hold (Neutral)	41.03%	49.63%
Sell (Underperform)	3.34%	18.18%

For disclosure purposes only (NYSE and FINRA ratings distribution requirements), our Buy, Neutral and Underperform ratings are displayed as Buy, Hold and Sell, respectively.


**Rating and Price Target History for: Exelon Corporation (EXC) as of 01-31-2019**


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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

February 1, 2019

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## The Guggenheim Daily Transmission: CMS, D, DUK, SO, ETR, EIX, ED, SRE, POR, NWN, WEC, EXC, PEG, PJM, FERC, CAISO, EIM

**For Guggenheim's NDR schedule, please scroll down****What's New?****CMS – Closing 2018 on a High Note, Setting Up for Catalysts in 2019-2020 (see our note [HERE](#))****D/DUK – A bill to restrict ACP costs is advancing in Virginia General Assembly****SO – Georgia Power files triennial IRP****ETR – Entergy New Orleans files settlement with city council over proposed power plant****EIX – CPUC considering a fine for not reporting revenue under-collection from customers for fuel and power costs****ED – Con Edison Development (CED) projects with PCG counterparty exposure may be subject to cash traps or default****ED – CECONY Electric and Gas rate cases filed with NY PSC****SRE – Port Arthur LNG development project receives FERC environmental approval****POR/NWN – Oregon “Clean Energy Jobs” cap and trade bill unveiled****WEC – CEO Klappa comments on Reuters Foxconn report****DUK/EXC/FE/PEG/PJM – 4 CEOs send joint letter to PJM Board imploring movement on reform****PEG/EXC – Ice accumulation forces shutdown of Salem Unit 2****FERC – LaFleur announces she will depart Commission in 2019****CAISO/EIM – CAISO quarterly EIM report shows \$63mm in benefits for 4Q18, \$565 cumulative****D/DUK – A bill to restrict ACP costs is advancing in Virginia General Assembly**

- AP [reports](#) that the bill “adds new restrictions to Dominion’s ability to pass along costs of transporting gas from ACP to its Virginia-based power stations.”
- The bill recently passed committee and is progressing.
- Under the proposed legislation the utility needs to prove by preponderance of the evidence that: 1) it identified and determined the amount of new fuel needed, 2) objectively studied all available alternative fueling resource options, 3) determined that the pipeline capacity contract or contracts were the lowest possible available option.
- If the utility cannot prove the above then the commission has the ability to deny recovery of such costs.
- House Bill No. 1718 can be found [HERE](#).

Ticker	Price	Rating
CMS	52.14	Neutral
SO	48.60	Neutral
ETR	89.19	Buy
EIX	56.97	Buy
ED	77.65	Neutral
SRE	116.98	Buy
POR	48.32	Neutral
NWN	62.60	Sell
WEC	73.03	Buy
DUK	87.78	Buy
EXC	47.76	Buy
FE	39.20	Buy
PEG	54.55	Buy
D	70.24	Buy

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 1, 2019

**Guggenheim takeaway:** Data point, Dominion has been pushing back on the legislation and in our view faces an uphill climb. We continue to like D on valuation and multiple facets of the story including a re-based outlook. We see upside potential from the recent SCG acquisition, the VA legislation among other items. We will continue to track the bill as it progresses through the legislature.

**SO – Georgia Power files triennial IRP**

- If **approved** Georgia Power's IRP calls for its total renewable capacity increasing to 18% of Georgia Power's portfolio by 2024.
- The IRP also increase energy efficiency targets, reducing peak demand by 1,600 MW or 10% of current peak demand by 2022.
- GP is requesting decertification of four coal units at Plan Hammond and one coal unit at Plan McIntosh.
- Seeking approval to issue two RFPs for incremental generation needs.
- "Acknowledging continued economic pressure on coal fired units, including Plant Bowen units 1 and 2."
- Proposing not to renew operating licenses for Langdale and Riverview hydro dams (0.4 MW).
- Seeking approval of an environmental compliance strategy, including GP's permanent closure of all coal ash ponds for compliance with the federal Coal Combustion Residuals (CCR) rule and with the most stringent requirements of Georgia's state CCR rule.

**Guggenheim takeaway:** IRP is blocking and tackling, shifting away from economically challenged coal generation and seeking to increase renewables capacity which is a very evident trend we continue to see at regulated names across the southeast. To be clear, there is nothing regarding Vogtle in this IRP. On Vogtle, the next data point is likely the earnings call - we expect a productivity update and then by mid May the work plan update is expected to be filed with the GA PSC staff. This work plan update is key to watch for since it could update how many man hours (plus or minus) it will take to complete the project. We continue to stay on the sidelines with SO given the binary risk associated with Vogtle.

**ETR – Entergy New Orleans files settlement with city council over proposed power plant**

- Entergy New Orleans put together a good faith settlement over the mishandling of the proposed power plant development.
- The settlement includes a \$5M penalty / contribution to the city of New Orleans and a variety of operational, reporting and ethics improvements at ENO.

**Guggenheim takeaway:** While the penalty is relatively small, this settlement seeks to put to bed a fairly negative headline. Fixing the regulatory relationships is of significantly higher value than the costs incurred in our view, and if approved the issue will hopefully be put to rest.

**EIX – CPUC considering a fine for not reporting revenue under-collection from customers for fuel and power costs**

- EIX failed to collect \$984M from customers under the ERRR tacking account for over 12 months.
- CPUC on Thursday authorized EIX to collect the missing amounts, but said it will consider penalties at a later date.

**Guggenheim takeaway:** This is a case where EIX was waiting for the balancing account to correct itself, but instead kept accruing fuel and power costs until the problem was too big. While there was no violation of earnings / ROE, this is a headline negative for EIX, and could result in penalties, although we note that low level mistakes have not historically carried high valued penalties with the CPUC, often a procedural correction rather than financial.

**ED – Con Edison Development (CED) projects with PCG counterparty exposure may be subject to cash traps or default**

- ED filed an 8K indicating that the PCG bankruptcy has potentially placed their projects with PCG exposure into default.
- If the project lenders chose to do so, cash revenues at the project will be retained at the project level. Further if the lenders chose to put back the financing, ED will have to give up ownership or inject the financing from parent.

***Guggenheim takeaway:** PCG bankruptcy has created a lot of turbulence for PPA counterparties, while FERC and the bankruptcy court are determining jurisdiction over PPAs and PCG is requesting a preliminary injunction in hopes of getting the necessary authority to review the PPAs and potentially propose amendments. ED has recently purchased a sizeable solar portfolio from SRE with PCG as a PPA counterparty. Besides the fact the projects could be placed in default and fail to produce any cash, the original financing contemplated incremental project level debt, which is now unfeasible, leaving the parent with additional drag in the interim.*

**ED – CECONY Electric and Gas rate cases filed with NY PSC**

- The rate cases ask for \$795M in aggregate rate increases, based on a 9.75% ROE requested, same request as previous 2017 case vs. current 9% allowed and 48.63% equity requested vs. current 48% allowed (50bp ER ~ \$0.05 EPS).
- 2020 average gas rate base requested is \$7.1B vs \$6.6 in previous estimates (EEI), representing a 7% increase in base year. 2022 proposed rate base is \$8.6B, which implies a CAGR from 2019 (last approved year) of 13%.
- 2020 average electric rate base requested is \$22.3B vs \$21.6 in previous estimates (EEI), representing a 3% increase in base year. 2022 proposed rate base is \$24.9B, which implies a CAGR from 2019 (last approved year) of 7%.

***Guggenheim takeaway:** While there is always a bid-ask that emerges for many aspects of a rate case proceeding based on staff and intervenor testimony, the first glance into the ED CECONY rate case filing indicates a combined rate base CAGR of 8.4% through 2022, which in combination with constructive regulatory mechanisms in NY could result in comparable earnings growth without much lag. The limiting factor will be the associated capital plan and financing required, which will reduce EPS growth through dilution.*

**SRE – Port Arthur LNG development project receives FERC environmental approval**

- FERC approved the environmental review for Port Arthur.
- Port Arthur is an SRE proposed LNG export facility with aggregate capacity of 11 MTPA.
- There has not been a commercial investment decision yet as SRE is shopping the LNG capacity across Europe and Asia.

***Guggenheim takeaway:** The current status of Port Arthur stops short of the investment decision. Bechtel is already selected as EPC contractor, with a project development MOU signed by Sempra LNG & Midstream, Woodside Petroleum Ltd. (ASX: WPL) and Korea Gas Corporation (036460.KS) signed in 2017 that provides a framework for cooperation and joint discussion by the parties on project development and sourcing (with KOGAS a potential offtake). Additionally, a 2 MTPA supply agreement with Polish Oil & Gas Company was signed in Dec 2018, which is a bullish indicator for filling the capacity and enabling the investment decision; a potential for 2019. Port Arthur LNG is incremental to our estimates and valuation for SRE.*

**POR/NWN – Oregon “Clean Energy Jobs” cap and trade bill unveiled**

- The legislation would set a 2035 goal of 45% below 1990 emissions, on a path to 80% below 1990 emissions by 2050.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 1, 2019

- Electric utilities would receive free credits, exempting them from the process, until 2030, while gas utilities would receive credits tied “to minimize the impacts of sections 8 to 26 of this 2019 Act on low-income residential customers.”
- The initiative has the support of newly re-elected Governor Brown (D), and the Democratic majority in both chambers of the legislature.
- Full bill available [HERE](#).

**Guggenheim takeaway:** While we are still digesting the full legislation ourselves, overall this is very much as-expected given previous attempts and straightforward signaling from politicians that they would try again in 2019. As a reminder we discussed the potential for carbon legislation in our recent NDR note with POR, available [HERE](#). The Governor is a strong supporter and the Democrats hold majorities in both chambers, so the effort has a clear path in our view. We remain on the lookout for any pushback from Republicans and business groups and modifications to the language.

**WEC – CEO Klappa comments on Reuters Foxconn report**

- WEC CEO and Milwaukee 7 co-chair Gale Klappa noted to Milwaukee Business Journal that they “were totally taken aback by the Reuters story,” but that they had few concerns after reaching out to Foxconn directly for clarification.
- Foxconn executive Louis Woo reportedly reached out to Governor Evers to discount the Reuters story earlier this week that the company was reconsidering its investments.
- According to Klappa (via Milwaukee Business Journal), the company still intends to build its first phase of structures, including:
  1. A liquid crystal module packaging plant;
  2. A high-precision molding factory;
  3. A system integration assembly facility;
  4. A rapid prototyping center;
  5. A research-and-development center;
  6. A high-performance data center; and
  7. A town center to support employees in Mount Pleasant.
- “Frankly, given Louis’ comments on the overall accuracy of the story, I’m dubious about anything.” – Klappa

**Guggenheim takeaway:** In case you missed Klappa’s comments. As we have noted previously, Foxconn’s staffing has come up short and the design has changed, but the firm appears committed to the state for now in our view. Very much a stay tuned situation.

**DUK/EXC/FE/PEG/PJM – 4 CEOs send joint letter to PJM Board imploring movement on reform**

- The CEOs of EXC, FE, and PEG each signed a letter to PJM’s Board expressing their displeasure at the slow pace of reforms in the energy market, and the failure of the RTO “to value resiliency attributes.”
- “Instead of driving changes for appropriate market price signals, PJM remains a facilitator to implement changes that achieve stakeholder consensus. This is simply not enough.”
- Letter available [HERE](#).

**Guggenheim takeaway:** Another broadside against PJM. The Board has already signaled its intentions to expedite the price formation Task Force’s work, but the yearlong process has been long and contentious to date. For more on this subject, see our recent note from our conversations with the RTO’s former Chief Economist [HERE](#).

**PEG/EXC – Ice accumulation forces shutdown of Salem Unit 2**

- The intakes screens at the Salem nuclear power plant Unit 2 reactor became blocked with ice overnight on Wednesday, [prompting](#) a shutdown of the reactor.
- Unit 1 remains operational at a reduced 88% reactor power level.

**Guggenheim takeaway:** *The fuel may be secure, but the coolant isn't...*

**FERC – LaFleur announces she will depart Commission in 2019**

- Cheryl LaFleur, who has served at FERC since 2010, [announced](#) her intentions to step down by the end of the year, noting “*this is not the outcome I had hoped for.*”
- “*I plan to stay at FERC at least through the end of my term on June 30, and probably longer, depending on my future plans and the possible appointment of a successor.*”

**Guggenheim takeaway:** *Not entirely surprising to us given LaFluer has been at the Commission now for almost nine years, although in our view it is a difficult time for the Commission to lose such an experienced member given the backlog before it. LaFleur's impending departure now leaves two seats to be filled in 2019, with little apparent progress to date on locating McIntyre's replacement. We remain on the lookout for news from Senate ENR's Murkowski and Manchin for any potential movement.*

**CAISO/EIM – CAISO quarterly EIM report shows \$63mm in benefits for 4Q18, \$565mm cumulative**

- The ISO's analysis of member benefits shows its eight members collectively reaped some \$63mm in benefits in the 4<sup>th</sup> quarter of 2018 through avoiding “*renewable curtailments and leveraging diverse resources from a larger pool of resources.*”
- News Release available [HERE](#).

**Guggenheim takeaway:** *Data point for your awareness.*

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

February 1, 2019

## Guggenheim's Power & Utility Comp Sheet

Price as of Close Thursday, January 31, 2019

Price as of Close									Guggenheim										Consensus									
Thursday, January 31, 2019																												
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	38.8	Neutral	\$78	\$79.12	3.5%	\$0.62	493	3.95	4.17	4.44	4.71	4.93	20.0	19.0	17.8	16.8	16.0	3.95	4.12	4.38	4.65	5.00	20.0	19.2	18.0	17.0	15.8
ALE	ALLETE	4.0	Neutral	\$4	\$76.94	3.3%	\$0.64	51	3.34	3.71	4.01	4.20	4.46	23.0	20.7	19.2	18.3	17.2	3.37	3.62	3.93	4.10	4.46	22.8	21.3	19.6	18.8	17.3
AVA	Avista*	2.7	Neutral	\$42	\$41.85	3.9%	\$0.71	66	2.05	2.19	2.31	2.38	2.45	20.4	19.1	18.1	17.6	17.1	2.09	2.19	2.28	2.38	2.45	20.1	19.1	18.4	17.6	17.1
CMS	CMS Energy	14.6	Neutral	\$53	\$52.14	3.1%	\$0.61	283	2.35	2.50	2.69	2.88	3.08	22.2	20.8	19.4	18.1	16.9	2.33	2.50	2.68	2.86	3.07	22.4	20.9	19.4	18.2	17.0
DUK	Duke Energy	62.4	Buy	\$94	\$87.78	4.5%	\$0.75	713	4.78	5.00	5.26	5.57	5.91	18.3	17.6	16.7	15.8	14.8	4.75	4.95	5.23	5.54	5.86	18.5	17.7	16.8	15.9	15.0
ED	Consolidated Edison	24.1	Neutral	\$82	\$77.65	3.9%	\$0.66	311	4.25	4.36	4.61	4.79	4.95	18.3	17.8	16.9	16.2	15.7	4.29	4.30	4.53	4.79	4.91	18.1	18.1	17.1	16.2	15.8
EIX	Edison International*	18.5	Buy	\$69	\$56.97	4.8%	\$0.55	326	4.15	4.57	4.93	5.37	5.70	13.7	12.5	11.6	10.6	10.0	4.17	4.50	4.79	5.00	5.30	13.7	12.7	11.9	11.4	10.75
ES	Eversource Energy	21.9	Buy	\$72	\$69.41	3.3%	\$0.61	317	3.27	3.51	3.71	3.94	4.17	21.3	19.8	18.7	17.6	16.7	3.28	3.48	3.70	3.91	4.17	21.2	19.9	18.6	17.7	16.63
ETR	Entergy	16.0	Buy	\$96	\$89.19	4.3%	\$0.67	181	7.02	5.94	5.66	5.92	6.33	12.7	15.0	15.7	15.1	14.1	7.01	5.99	5.73	5.84	5.98	12.7	14.9	15.6	15.3	14.9
EVRG	Evergy	15.1	Buy	\$63	\$57.32	3.6%	\$0.64	263	2.63	2.93	3.27	3.42	3.58	21.8	19.6	17.6	16.8	16.0	2.59	2.94	3.29	3.43	3.58	22.1	19.5	17.4	16.7	16.0
FE	FirstEnergy	19.9	Buy	\$46	\$39.20	4.0%	\$0.63	511	2.56	2.54	2.51	2.65	2.80	15.3	15.4	15.6	14.8	14.0	2.54	2.57	2.52	2.66	2.89	15.4	15.3	15.5	14.7	13.6
LNT	Alliant Energy	10.4	Neutral	\$41	\$44.47	3.4%	\$0.64	236	2.18	2.24	2.37	2.50	2.69	20.4	19.8	18.8	17.8	16.5	2.16	2.26	2.40	2.54	2.69	20.6	19.7	18.6	17.5	16.5
PCG	PG&E Corporation*	6.7	Neutral	NA	\$13.00	0.0%	\$0.00	519	3.84	4.07	4.39	4.57	4.67	3.4	3.2	3.0	2.8	2.8	3.82	4.03	4.24	4.29	4.21	3.4	3.2	3.1	3.0	3.1
PNW	Pinnacle West	9.8	Neutral	\$89	\$88.12	3.6%	\$0.63	112	4.49	4.84	5.04	5.25	5.45	19.6	18.2	17.5	16.8	16.2	4.48	4.85	5.03	5.27	5.42	19.7	18.2	17.5	16.7	16.3
POR	Portland General Electric	4.3	Neutral	\$44	\$48.32	3.3%	\$0.63	89	2.32	2.43	2.54	2.68	2.75	20.8	19.9	19.0	18.1	17.6	2.35	2.45	2.56	2.69	2.75	20.6	19.7	18.0	17.5	17.7
PPL	PPL Corporation	22.4	Neutral	\$29	\$31.32	5.8%	\$0.70	720	2.36	2.44	2.61	2.74	2.85	13.3	12.8	12.0	11.4	11.0	2.36	2.44	2.55	2.58	2.84	13.3	12.8	12.3	12.1	11.05
SO	Southern Company	49.5	Neutral	\$44	\$48.60	5.2%	\$0.81	1029	3.07	3.05	3.15	3.31	3.46	15.9	15.9	15.4	14.7	14.0	3.04	3.02	3.13	3.25	3.45	16.0	16.1	15.5	15.0	14.11
WEC	WEC Energy	22.9	Buy	\$76	\$73.03	3.4%	\$0.67	316	3.32	3.50	3.73	3.98	4.26	22.0	20.8	19.6	18.4	17.2	3.33	3.51	3.74	3.97	4.24	21.9	20.8	19.5	18.4	17.21
*Average (Excl. EIX, PCG, PPL for P/E)						3.7%	62%							19.5	18.6	17.7	16.8	16.0						19.5	18.7	17.8	16.9	16.1
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	10.1	Buy	\$29	\$27.28	2.9%	58%	372	1.28	1.38	1.48	1.58	1.68	21.4	19.8	18.5	17.2	16.2	1.28	1.34	1.44	1.57	1.68	21.3	20.3	18.9	17.4	16.2
NJR	New Jersey Resources	4.3	Sell	\$39	\$48.50	2.5%	60%	89	2.74	2.01	2.19	2.36	2.54	17.7	24.1	22.1	20.5	19.1	2.74	2.12	2.27	2.33	2.54	17.7	22.9	21.3	20.8	19.1
NWN	NW Natural Gas	1.8	Sell	\$49	\$62.60	3.0%	78%	29	2.17	2.44	2.60	2.66	2.71	28.9	25.7	24.1	23.5	23.1	2.23	2.46	2.58	2.64	2.71	28.1	25.4	24.2	23.7	23.1
SR	Spire	4.0	Neutral	\$77	\$79.37	3.1%	65%	51	3.74	3.75	3.92	4.06	4.30	21.2	21.2	20.3	19.6	18.5	3.72	3.73	3.90	3.99	4.30	21.3	21.3	20.4	19.9	18.5
VVC	Vectren*	6.0	Neutral	\$72	\$72.38	2.7%	63%	83	2.89	3.09	3.27	3.47	3.71	25.0	23.4	22.1	20.8	19.5	2.88	3.05	3.28	3.47	3.71	25.1	23.7	22.1	20.9	19.5
*Average (Excl. VVC)						3.1%	66%							22.3	22.7	21.2	20.2	19.2						22.1	22.5	21.2	20.5	19.2
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	45.9	Buy	\$53	\$47.76	3.0%	45%	967	3.09	3.16	3.25	3.17	3.21	15.5	15.1	14.7	15.1	14.9	3.12	3.17	3.20	3.17	3.35	15.3	15.1	14.9	15.1	14.3
PEG	PSEG	27.4	Buy	\$69	\$54.55	3.5%	58%	505	3.13	3.28	3.49	3.61	3.83	17.4	16.6	15.6	15.1	14.2	3.10	3.25	3.55	3.67	3.88	17.6	16.8	15.4	14.9	14.1
Average						3.2%	51%							16.5	15.9	15.2	15.1	14.6						16.4	15.9	15.2	15.0	14.2
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.9	Buy	\$51	\$40.91	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	NA	NA	NA	NA	NA	1,775	2,008	1,835	1,840	1,936	9.7	8.4	9.0	9.2	NA
VST	Vistra Energy	12.7	Buy	\$37	\$25.11	2.0%	0%	504	2,800	3,307	3,355	3,402	3,402	8.3	7.2	6.9	6.7	6.4	2,760	3,332	3,247	3,217	3,654	8.2	8.6	6.6	6.0	NA
Average									8.3	7.2	6.9	6.7	6.4											9.0	7.5	7.8	7.6	NA
Multi-Industry Utilities <sup>(6)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.3	Buy	\$33	\$30.92	3.8%	68%	501	1.58	1.72	1.82	1.92	2.02	19.5	18.0	17.0	16.1	15.3	1.58	1.69	1.82	1.94	2.02	19.6	18.3	17.0	15.9	15.3
D	Dominion	56.6	Buy	\$82	\$70.24	5.2%	84%	808	4.02	4.37	4.62	4.91	5.33	17.5	16.1	15.2	14.3	13.2	4.06	4.23	4.42	4.65	4.94	17.3	16.6	15.9	15.1	14.2
DTE	DTE Energy	21.3	Buy	\$129	\$117.75	3.2%	60%	182	6.40	6.32	6.84	7.34	7.70	18.4	18.6	17.2	16.0	15.3	6.33	6.24	6.58	7.04	7.43	18.6	18.9	17.9	16.7	15.8
NEE	NexEra	84.5	Buy	\$205	\$178.98	2.8%	58%	478	7.83	8.63	9.19	9.91	10.52	22.9	20.7	19.5	18.1	17.0	7.70	8.40	9.07	9.75	10.49	23.2	21.3	19.7	18.4	17.1
OGE	OGE Energy	8.2	Neutral	\$44	\$40.95	3.7%	70%	200	2.06	2.14	2.30	2.41	2.51	19.8	19.1	17.8	17.0	16.3	2.07	2.14	2.31	2.41	2.51	19.7	19.1	17.7	17.0	16.3
SRE	Sempra Energy	31.7	Buy	\$133	\$116.98	3.3%	64%	274	5.47	6.13	7.29	7.60	7.96	21.4	19.1	16.0	15.4	14.7	5.47	6.04	7.19	7.55	7.88	21.4	19.4	16.3	15.5	14.8
Average						3.6%	67%							19.9	18.6	17.1	16.2	15.3						20.0	18.9	17.4	16.4	15.6
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	17.2	Neutral	\$96	\$95.67	2.0%	54%	181	3.30	3.61	3.96	4.27	4.60	29.0	26.5	24.1	22.4	0.0	3.30	3.58	3.88	4.24	4.59	29.0	26.8	24.6	22.5	20.8
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Clearway Energy	#N/A	Neutral	\$17	\$15.09	8.8%	NA	183	1,039	1,069	1,116	1,159	1,159	NA	NA	NA	NA	NA	985	1,089	1,147	1,155	NA	8.4	8.4	8.0	7.6	-
NEP	NexEra Energy Partners	2.2	Buy	\$66	\$40.16	5.1%	NA	56	1.106	1,393	1,560	1,811	1,811	8.7	7.6	7.3	7.0	0.0	881	1,125	1,286	1,496	1,981	10.9	9.4	8.8	8.5	NA

*Note: We are currently restricted on SJI due to the firm's investment banking activities*

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

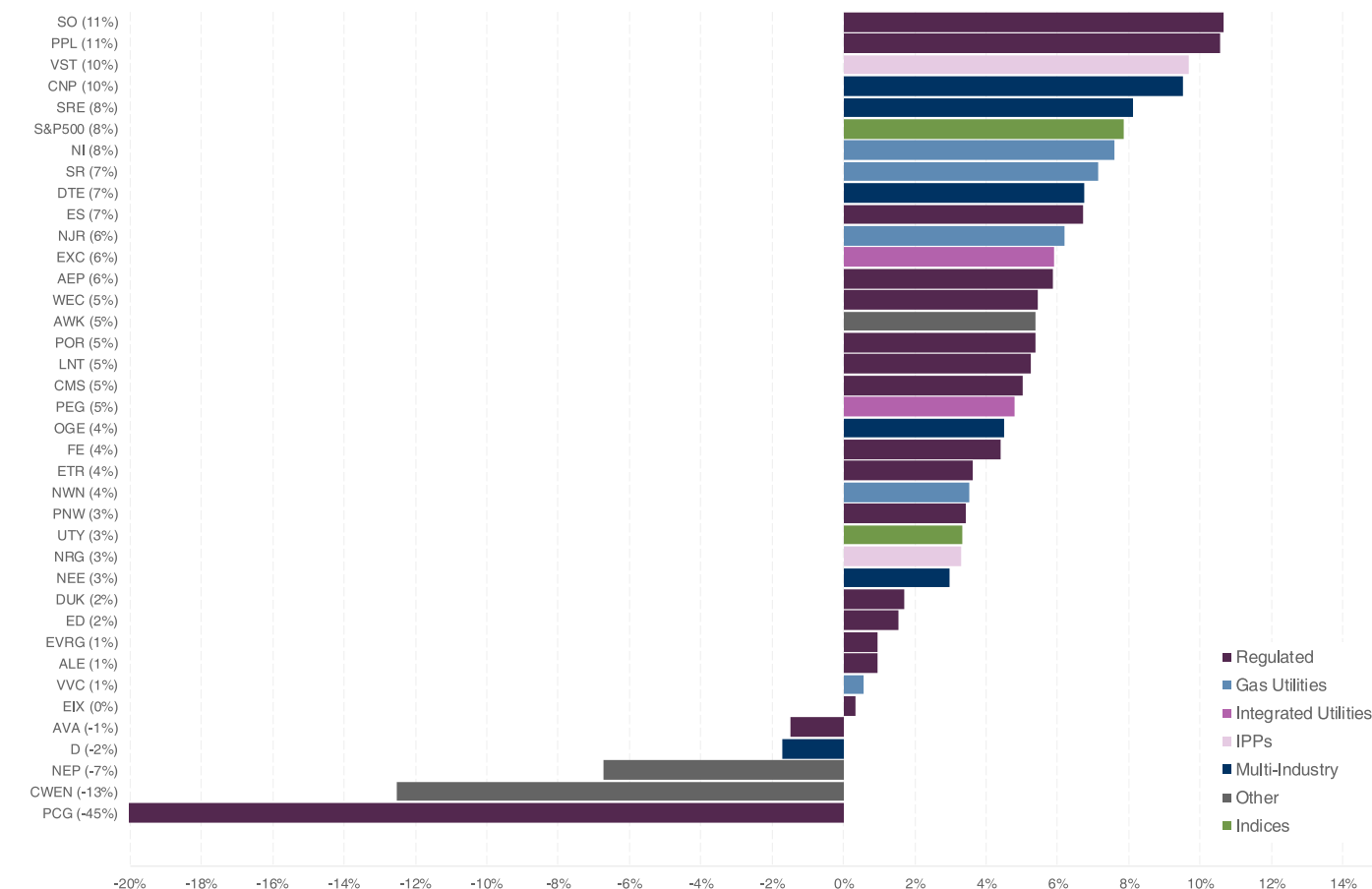
**Source:** Bloomberg, Guggenheim Securities, LLC estimates.

POWER, UTILITIES & ALTERNATIVE ENERGY

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
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- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	ALE	4/2-4/4	TBD
FE	1/22-1/23	Boston/NYC	POR	4/29-4/30	West Coast
D	2/25-2/26	Boston/NYC	LNT	6/4	Boston
WEC	2/27-2/28	West Coast	DUK	6/6-6/7	Midwest
EXC	3/7-3/8	Dallas/Houston	PEG	6/24-6/25	Midwest
PNW	3/11-3/13	Midwest	AWK	7/9-7/10	Midwest
DTE	3/25-3/26	Boston/NYC			

***MORE TO BE ADDED...***

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was](#)
2. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
3. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
4. [CA Policy Speaker Series Recap II: Michael Gatto, Former CA Legislator on Legislative, Regulatory and Bankruptcy Process in California](#)
5. [CA Policy Speaker Series Recap I: Timothy Simon, Former CPUC Commissioner on CA Legislature, CPUC and Potential PCG Bankruptcy Process](#)
6. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
7. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
8. [Guggenheim's 2018 EEI Summary](#)
9. [Guggenheim EEI Takeaways - Day 3](#)
10. [Guggenheim EEI Takeaways - Day 2](#)
11. [Guggenheim EEI Takeaways - Day 1](#)
12. [Guggenheim EEI - Investor Question Bank](#)
13. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
14. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
15. [Coal/Nuclear: Will Politics "Trump" Reality](#)
16. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
17. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
18. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
19. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
20. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
21. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
22. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
23. [Guggenheim EEI Takeaways - Day 1](#)
24. [Guggenheim EEI Takeaways - Day 2](#)
25. [Guggenheim EEI Takeaways - Day 3](#)
26. [Utility and IPP 3Q17 Model Sweep](#)
27. [DOE Texas Tango – Will FERC Dance?](#)
28. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
29. [AGA Conference Highlights and Management Meeting Takeaways](#)
30. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [FE NDR: Time Is the Furthest Distance Between Two Points...](#)
2. [PCG Exonerated for Tubbs Fire; Reinforces Premature Bankruptcy View](#)
3. [PCG—Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
4. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
5. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
6. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
7. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
8. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
9. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
10. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
11. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
12. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
13. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
14. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
15. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
16. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
17. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
18. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
19. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
20. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
21. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)

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22. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
23. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
24. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
25. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
26. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
27. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
28. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
29. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
30. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
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Power, Utilities &amp; Alternative Energy

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## The Guggenheim Daily Transmission: FE, PJM, NEE, PCG, CWEN, California, D, EXC, PEG, EVRG, ETR, CAISO, EIA

**For Guggenheim's NDR schedule, please scroll down****What's New?****FE NDR: Time Is the Furthest Distance Between Two Points...** (see our note [HERE](#))**Policy Speaker Series Recap on Energy and Capacity: Perpetual State of Reforms Same as It Ever Was** (see our note [HERE](#))**NEE: Caught Up with Mgmt; California Contagion Contained with NextEra** (see our note [HERE](#))**PCG** – CPUC holding emergency voting session today for PCG bankruptcy financing approval**PCG** – FERC affirms shared jurisdiction over PPA in PCG bankruptcy case**NEE/CWEN** – FERC order asserts Commission's jurisdiction over PCG PPAs**PCG** – PCG stakeholders tap advisors for long bankruptcy fight**California** – New CPUC and Wildfire commission appointments**CWEN** – Moody's affirms CWEN's credit ratings and stable outlook**D** – Another ACP permit officially remanded**PCG** – PCG halts renewal of hydropower projects due to "ratepayer interests"**PCG** – Tubbs fire victims chose to pursue legal battle after PCG exoneration by CalFire**EXC/PEG** – PA lawmakers reportedly nearing the introduction of PA ZEC legislation**EVGR** – Advocates ask for lower KCP&L rates**D** – Bill calls for undergrounding of SCG power lines**ETR** – Pilgrim operator mistake not an NRC violation**CAISO** – Expansion of CAISO-EIM governance cooperation remains in stakeholder process**EIA** – 2019 Annual Energy Outlook foresees 20% drop in coal production by 2035**PCG – CPUC holding emergency voting session today for PCG bankruptcy financing approval**

- The CPUC called an emergency meeting to approve orders of exemption from Public Utilities Codes on financing needs for PCG to secure DIP financing.
- Meeting agenda [here](#).
- Webcast starting 4PM ET. [Link](#).

Ticker	Price	Rating
FE	38.79	Buy
NEE	174.20	Buy
PCG	11.77	Neutral
CWEN	15.14	Neutral
D	69.16	Buy
EXC	46.43	Buy
PEG	52.65	Buy
EVGR	56.78	Buy
ETR	87.10	Buy
NEP	40.55	Buy
ED	75.95	Neutral

**Guggenheim takeaway:** The meeting will seek to approve administrative exemptions required for debtor-in-possession (DIP) financing for PCG. PCG announced and reiterated intent to file for bankruptcy around January 29. We will be watching closely for CPUC commentary around the issue.

#### **PCG – FERC affirms shared jurisdiction over PPA in PCG bankruptcy case**

- FERC issued an order on Friday, January 25, largely siding with the NEE complaint and asserting its jurisdiction over PPAs in bankruptcy (including in the potential PCG case).
- FERC also acknowledged the law on the issue is unsettled as several courts have interpreted the laws differently (the laws being the Federal Power Act and Bankruptcy Code).
- FERC order acknowledges “the Commission and the bankruptcy courts have concurrent jurisdiction to review and address the disposition of wholesale power contracts sought to be rejected through bankruptcy.”
- It is not clear if there was an issue of timing as the order was issued on a short (2-week) notice, by the order notes that Commissioner McNamee has not participated.

**Guggenheim takeaway:** The FERC order creates a strong standing for PPA contract holders in bankruptcy which we highlighted in the past could be likely given case law. While the jurisdiction on contract renegotiations is “concurrent,” under the current case law adopted by FERC, it would be extremely hard for FERC to allow the contracts to be broken as case law would require tests of public interest which go beyond short-term economics. In previous case law, federal courts have appreciated the need for contract sanctity as a means of public interest, i.e. having a path for negotiated, above-market contracts is worth more than just the economic “above market mark.” We view this as a constructive data point for PPA counterparties, including CWEN, NEP, ED and NEE.

#### **NEE/CWEN – FERC order asserts Commission’s jurisdiction over PCG PPAs**

- FERC issued an order regarding NEE’s complaint over the PCG PPAs.
- FERC concluded that the Commission and the bankruptcy court “have concurrent jurisdiction to review and address the disposition of wholesale power contracts sought to be rejected through bankruptcy.”

**Guggenheim takeaway:** Major step forward on the PPA concerns...Our understanding of this order is that if the bankruptcy court allows the PPAs to be modified then permission must be obtained from the Commission to actual modify the contracts. At this time, it is unclear to us how the Commission would proceed. It seems like the Commission has the opportunity to stop a renegotiation of the PPAs but case law on this topic is mixed.

#### **PCG – PCG stakeholders tap advisors for long bankruptcy fight**

- According to Bloomberg, both equity and debt holders of PCG are enlisting advisers to gain negotiating leverage in bankruptcy.
- Among bondholders are Pacific Investment Management Co. and Western Asset Management Co, Elliott Management Corp., Centerbridge Capital Partners LP, Apollo Global Management LLC.
- Other interests include Baupost group, which is a holder of insurance claims from the wildfires.

**Guggenheim takeaway:** PCG expects to file bankruptcy on or around January 29, but the battle lines are already being drawn. We have struggled to identify key bankruptcy party interests due to our limited expertise (and interest) in a bankrupt company, but we acknowledge investor groups seeking to avoid a bankruptcy filing, as well other parties pitted against each other like bondholders, PPA holders and wildfire plaintiffs. In the end, if PCG files for bankruptcy we view above-average levels of complexity in this process due to the legal uncertainty and variety of potential claims.

#### **California – New CPUC and Wildfire commission appointments.**

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- Governor Newsom made several appointments over the weekend to key regulatory roles in California.
- Newsom appointed Genevieve Shiroma to the open seat of the CPUC, a long-time chairwoman of the state Agricultural Labor Relations Board (1999-2018) and a 20-year elected board member of the Sacramento Municipal Utility District.
- Newsom also appointed the 3 eligible seats to the state wildfire commission (another 2 eligible by legislature). Appointees are Dave Jones, former state insurance commissioner (2011-19) and a member of the California Assembly for 10 years; Michael Kahn, an attorney who once headed CAISO's board; and Carla Peterman, who recently ended a six-year term on the CPUC.
- The commission is tasked with evaluating high costs of wildfires and the liabilities they create for utilities.
- Commission is due to report to legislature in July 2019.

**Guggenheim takeaway:** Some of these appointments are a bit of a surprise, as we view the regulatory appointments by Newsom as a harbinger of the utility operating environment. The CPUC appointee is a former representative of a municipal power authority, potentially an indicator of the interest in a municipalization analysis for PCG, as that will likely be a critical issue during the appointed term. The wildfire commission appointments seem logical with Dave Jones having a deep financial understanding, but we are curious about the appointment of Carla Peterman who has just finished a term at the CPUC, although her support of the Cost of Capital alternative settlement extension and Power Charge Indifference Adjustment alternative order were generally constructive toward the utilities. We will be looking further at these candidates as appointments are confirmed before getting a definitive read of the implications.

#### CWEN – Moody's affirms CWEN's credit ratings and stable outlook

- Moody's [notes](#) that ~23% of CWEN's EBITDA is derived from PCG-related PPAs.
- The agency notes that debt/EBITDA would only rise 200 bps from 6.5x to 6.7x and this does not breach their downgrade threshold of 7.5x.

**Guggenheim takeaway:** Positive for CWEN, it seems in a worst-case scenario, Moody's may not downgrade. This sets a floor for expectations in the market and could debunk some bear cases.

#### D – Another ACP permit officially remanded

- The U.S. Army Core of Engineers' motion to remand a permit for the Atlantic Coast Pipeline was granted.

**Guggenheim takeaway:** Fully expected. There seems to be optimism that the federal agencies will re-issue permits/authorization in a manner that pro-actively addresses concerns that have been raised and this could make the permits more robust under judicial scrutiny. The thought is that remanding the permits could end up being a positive for the pipe.

#### PCG – PCG halts renewal of hydropower projects due to “ratepayer interests”

- PCG scrapped the renewal of licenses for a 9MW hydro power project.
- PCG said in a filing with federal regulators Friday that it has long recognized that the plant was uneconomic, and no longer in the interests of ratepayers.

**Guggenheim takeaway:** While the hydropower project is insignificant in scale, PCG's decision to back away from the renewable resource in favor of economic interest could be a leading indicator of the company view towards PPAs. While FERC has claimed jurisdiction (concurrent with bankruptcy court) over the PPA contracts, PCG may ultimately seek to renegotiate some or all of the contracts to create economic headroom for customers. This would potentially represent the interests of ratepayers that would be pitted against equity and bondholders in bankruptcy.

**PCG – Tubbs fire victims chose to pursue legal battle after PCG exoneration by CalFire**

- CA wildfire plaintiffs and lawyers intend to continue civil claims against the utility despite a CalFire report absolving the utility for blame in the Tubbs fire.
- The plaintiffs are questioning the CalFire report for having redacted the exhibits referenced, meaning the public cannot evaluate the strength of the evidence Cal Fire used to make its determination. The report itself may not be admissible evidence in the civil court cases.
- Some plaintiff's lawyers view the report as a positive for the civil claims, as a constructive report may prevent the utility bankruptcy, which would otherwise stay the cases against the utility.

**Guggenheim takeaway:** While the report may not be admissible in its current form, the evidence that exists and matters of fact that are established will surely reduce the probability of a favorable court outcome, potentially forcing reduced value settlement (in our view). Overall however PCG still intends to file for bankruptcy around January 29 and, in bankruptcy, civil claims against the utility will likely be halted regardless of the last minute litigation efforts.

**EXC/PEG – PA lawmakers reportedly nearing the introduction of PA ZEC legislation**

- Keystone state lawmakers are reportedly getting closer to introducing legislation to support nuclear units in the state, as EXC has set a spring deadline for a decision regarding Three Mile Island.
- “They’re definitely aiming for this spring, the nuclear industry that is” - Steve Kratz, Citizens Against Nuclear Bailouts
- “Pennsylvania, as the second-largest nuclear-power-producing state, needs to show some leadership here... I worry about the signal sent if we do nothing.” - Martin Williams, business manager, Boilermakers Local 13

**Guggenheim takeaway:** Very much in line with our own reporting (see our 2019 Outlook [HERE](#) and our recent PJM expert call [HERE](#)), and what we have heard from other industry stakeholders of late. While it remains far too early in our view to discuss any legislation’s chance of passage, we note that the impending retirements of TMI and Beaver Valley have added serious urgency to the deliberations. Very much a stay-tuned situation.

**EVRG – Advocates ask for lower KCP&L rates**

- The Kansas Industrial Consumers Group asked state legislators for an independent study that would look into ways to lower rates.
- The advocacy group asked KCP&L and Westar Energy to immediately lower rates by 10%.

**Guggenheim takeaway:** Data point and likely a tough challenge given recent merger-related agreements. We continue to like BUY-rated EVRG and view its ~60mm share buyback program as on cruise control. By our estimates, EVRG offers top tier growth of 6-8% which is tough to match on a risk adjusted basis given it’s a fully regulated name. Buybacks should continue to drive the story in the NT, more clarity ahead with ’19 guidance expected on the 4Q call. Post buybacks, capital deployment opportunities that have been pulled back should drive our thesis.

**D – Bill calls for undergrounding of SCG power lines**

- Bill calls for burying all new powerlines in cities and towns and burying all existing above-ground powerlines across South Carolina by 2025.

**Guggenheim takeaway:** Data point, likely expensive and not sure if it’ll pass muster.. but, potentially a positive for SCG capex spend, which has been held back during its nuclear cost recovery/merger proceedings. D recently highlighted that SCG has been under-earning its allowed return with an earned ROE of 8.4% vs. a ~10.25%.

**ETR – Pilgrim operator mistake not an NRC violation**

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- An incident involving failure to observe NRC requirements at ETR Pilgrim power plant was subject to investigation, where the NRC chose not to issue a violation.
- An ETR employee admitted to NRC regulators that he did not properly check a voltage reading as required.
- The NRC however noted that this issue was already being remediated across ETR's nuclear fleet operations, NRC stating the agency is "satisfied that the company is taking it seriously.. taking steps to address this."
- NRC also said the overall safety of the plant was never in jeopardy as a result of the worker's mistake.

**Guggenheim takeaway:** *This is constructive for the orderly wind down of ETR nuclear operations. With no violations issue, it is easier for Pilgrim to cease operations and gain approvals for decommissioning activities sales (which are contemplated for the plant). We view this a neutral event for ETR.*

#### CAISO – Expansion of CAISO-EIM governance cooperation remains in stakeholder process

- The ISO and stakeholders are [reportedly](#) continuing discussions that would see the EIM Governing Body given additional role on CAISO initiatives.
- Moves follow a [white paper](#) issued last December.

**Guggenheim takeaway:** *For your awareness. We don't expect major shifts in the EIM at this time given hesitance within California to cede full control over the ISO, and EIM members remain wary of California's influence.*

#### EIA – 2019 Annual Energy Outlook foresees 20% drop in coal production by 2035

- Retirement-driven reductions in coal demand for electricity generation are expected to drive coal production from ~760mm tons last year to ~610mm tons in 2035.
- AEO available [HERE](#).

**Guggenheim takeaway:** *Data point for your awareness. We continue to see coal as a fundamentally challenged fuel source in light of low natural gas prices and state policy goals on GHGs.*

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## Guggenheim's Power &amp; Utility Comp Sheet

as of Close Friday, January 25, 2019

as of Close Friday, January 25, 2019									Guggenheim										Consensus									
Regulated Electric Utilities <sup>(1)</sup>		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	37.9	Neutral	\$78	\$76.80	3.6%	\$0.62	493	3.95	4.17	4.44	4.71	4.93	19.5	18.4	17.3	16.3	15.6	3.95	4.12	4.38	4.65	5.00	19.4	18.6	17.5	16.5	15.3
ALE	ALLETE	3.9	Neutral	\$74	\$74.88	3.4%	\$0.64	51	3.34	3.71	4.01	4.20	4.46	22.4	20.2	18.7	17.8	16.8	3.37	3.62	3.93	4.10	4.46	22.2	20.7	19.1	18.2	16.8
AVA	Avista*	2.7	Neutral	\$42	\$41.01	4.0%	\$0.71	66	2.05	2.19	2.31	2.38	2.45	20.0	18.7	17.8	17.2	16.7	2.09	2.19	2.28	2.38	2.45	19.7	18.7	18.0	17.2	16.7
CMS	CMS Energy	14.6	Neutral	\$53	\$50.81	3.2%	\$0.61	283	2.35	2.50	2.69	2.88	3.08	21.6	20.3	18.9	17.6	16.5	2.34	2.50	2.68	2.86	3.07	21.7	20.3	18.9	17.8	16.6
DUK	Duke Energy	61.8	Buy	\$94	\$85.85	4.6%	\$0.75	713	4.78	5.00	5.26	5.57	5.91	18.0	17.2	16.3	15.4	14.5	4.75	4.96	5.24	5.54	5.86	18.1	17.3	16.4	15.5	14.6
ED	Consolidated Edison	24.2	Neutral	\$82	\$75.95	4.0%	\$0.66	311	4.25	4.36	4.61	4.79	4.95	17.9	17.4	16.5	15.9	15.3	4.28	4.30	4.53	4.79	4.91	17.7	17.7	16.8	15.8	15.5
EIX	Edison International*	18.0	Buy	\$69	\$55.43	4.9%	\$0.55	326	4.15	4.57	4.93	5.37	5.70	13.4	12.1	11.2	10.3	9.7	4.17	4.50	4.79	5.00	5.30	13.3	12.3	11.6	11.1	10.46
ES	Eversource Energy	21.7	Buy	\$72	\$67.28	3.4%	\$0.61	317	3.27	3.51	3.71	3.94	4.17	20.6	19.2	18.1	17.1	16.1	3.28	3.48	3.70	3.91	4.17	20.5	19.3	18.2	17.2	16.14
ETR	Entergy	15.8	Buy	\$96	\$87.10	4.4%	\$0.67	181	7.02	5.94	5.66	5.92	6.33	12.4	14.7	15.4	14.7	13.8	7.07	5.99	5.72	5.82	5.98	12.3	14.5	15.2	15.0	14.6
EVRG	Evergy	15.1	Buy	\$63	\$56.78	3.7%	\$0.64	263	2.63	2.93	3.27	3.42	3.58	21.6	19.4	17.4	16.6	15.9	2.60	2.95	3.29	3.42	3.58	21.9	19.2	17.3	16.6	15.9
FE	FirstEnergy	20.1	Buy	\$46	\$38.79	4.0%	\$0.60	511	2.56	2.57	2.63	2.81	3.02	15.2	15.1	14.7	13.8	12.8	2.54	2.57	2.53	2.66	2.89	15.3	15.1	15.3	14.6	13.4
LNT	Alliant Energy	10.4	Neutral	\$41	\$43.10	3.5%	\$0.63	236	2.18	2.24	2.37	2.50	2.69	19.8	19.2	18.2	17.2	16.0	2.16	2.25	2.39	2.52	2.66	19.9	19.1	18.0	17.1	16.2
PCG	PG&E Corporation*	7.2	Neutral	NA	\$11.77	0.0%	\$0.00	519	3.84	4.07	4.39	4.57	4.67	3.1	2.9	2.7	2.6	2.5	3.82	4.03	4.19	4.29	4.21	3.1	2.9	2.8	2.7	2.8
PNW	Pinnacle West	9.9	Neutral	\$89	\$86.94	3.6%	\$0.63	112	4.49	4.84	5.04	5.25	5.45	19.4	18.0	17.3	16.6	16.0	4.48	4.85	5.03	5.27	5.42	19.4	17.9	17.3	16.5	16.1
POR	Portland General Electric	4.2	Neutral	\$44	\$47.07	3.4%	\$0.63	89	2.32	2.43	2.54	2.68	2.75	20.3	19.4	18.5	17.6	17.1	2.35	2.45	2.55	2.68	2.75	20.0	19.2	18.5	17.6	17.12
PPL	PPL Corporation	22.2	Neutral	\$29	\$30.67	5.9%	\$0.70	720	2.36	2.44	2.61	2.74	2.85	13.0	12.6	11.8	11.2	10.8	2.36	2.44	2.55	2.58	2.84	13.0	12.6	12.0	11.9	10.82
SO	Southern Company	49.3	Neutral	\$44	\$47.50	5.3%	\$0.81	1029	3.07	3.05	3.15	3.31	3.46	15.5	15.6	15.1	14.4	13.7	3.04	3.02	3.13	3.25	3.45	15.6	15.7	15.2	14.6	13.79
WEC	WEC Energy	22.8	Buy	\$76	\$71.04	3.5%	\$0.67	316	3.32	3.50	3.73	3.98	4.26	21.4	20.3	19.0	17.8	16.7	3.33	3.51	3.74	3.97	4.24	21.3	20.2	19.0	17.9	16.74
*Average (Excl. EIX, PCG, PPL for P/E)						3.8%	62%							19.0	18.2	17.3	16.4	15.6						19.0	18.3	17.4	16.5	15.7
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	10.0	Buy	\$29	\$26.36	3.0%	58%	372	1.28	1.38	1.48	1.58	1.68	20.6	19.1	17.8	16.7	15.7	1.28	1.34	1.44	1.57	1.68	20.6	19.6	18.3	16.8	15.7
NJR	New Jersey Resources	4.2	Sell	\$39	\$47.10	2.5%	60%	89	2.74	2.01	2.19	2.36	2.54	17.2	23.4	21.5	20.0	18.5	2.74	2.12	2.27	2.33	2.54	17.2	22.2	20.7	20.2	18.5
NWN	NW Natural Gas	1.8	Sell	\$49	\$62.30	3.0%	77%	29	2.17	2.44	2.60	2.66	2.71	28.7	25.5	24.0	23.4	23.0	2.23	2.46	2.58	2.64	2.71	28.0	25.3	24.1	23.6	23.0
SR	Spire	3.9	Neutral	\$77	\$77.03	3.1%	65%	51	3.74	3.75	3.92	4.06	4.30	20.6	20.5	19.7	19.0	17.9	3.72	3.73	3.90	3.99	4.30	20.7	20.6	19.8	19.3	17.9
VVC	Vecren*	6.0	Neutral	\$72	\$72.01	2.7%	63%	83	2.89	3.09	3.27	3.47	3.71	24.9	23.3	22.0	20.8	19.4	2.88	3.05	3.28	3.47	3.71	25.0	23.6	22.0	20.8	19.4
*Average (Excl. VVC)						3.1%	66%							21.8	22.2	20.7	19.8	18.8						21.6	22.0	20.7	20.0	18.8
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	45.4	Buy	\$53	\$46.43	3.1%	46%	967	3.09	3.16	3.25	3.17	3.21	15.0	14.7	14.3	14.6	14.5	3.12	3.17	3.19	3.17	3.35	14.9	14.7	14.5	14.7	13.9
PEG	PSEG	26.9	Buy	\$59	\$52.65	3.6%	58%	505	3.13	3.28	3.49	3.60	3.83	16.8	16.1	15.1	14.6	13.7	3.10	3.25	3.55	3.67	3.88	17.0	16.2	14.8	14.4	13.6
Average						3.3%	52%							15.9	15.4	14.7	14.6	14.1						15.9	15.4	14.7	14.5	13.7
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.9	Buy	\$51	\$40.93	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	8.7	9.3	9.6	9.1	9.1	1,775	2,008	1,835	1,840	1,936	9.7	8.4	9.0	9.2	NA
VST	Vistra Energy	12.4	Buy	\$37	\$24.65	2.0%	0%	504	2,800	3,307	3,355	3,402	3,402	8.2	7.1	6.9	6.6	6.4	2,760	3,332	3,247	3,217	3,654	8.1	6.5	6.5	6.0	NA
Average														8.5	8.2	8.2	7.9	7.7						8.9	7.5	7.7	7.6	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.1	Buy	\$33	\$29.79	3.9%	68%	501	1.58	1.72	1.82	1.92	2.02	18.9	17.3	16.4	15.5	14.7	1.58	1.69	1.82	1.94	2.02	18.9	17.6	16.4	15.3	14.7
D	Dominion	52.0	Buy	\$82	\$69.16	5.3%	86%	752	4.02	4.27	4.49	4.76	5.18	17.2	16.2	15.4	14.5	13.4	4.06	4.23	4.45	4.68	4.94	17.0	16.3	15.6	14.8	14.0
DTE	DTE Energy	21.0	Buy	\$129	\$114.13	3.3%	60%	182	6.40	6.32	6.84	7.34	7.70	17.8	18.1	16.7	15.5	14.8	6.33	6.24	6.58	7.04	7.43	18.0	18.3	17.3	16.2	15.4
NEE	NexEra	83.3	Buy	\$205	\$174.20	2.9%	58%	478	7.83	8.63	9.19	9.91	10.52	22.2	20.2	19.0	17.6	16.6	7.70	8.40	9.05	9.79	10.49	22.6	20.7	19.2	17.8	16.6
OGE	OGE Energy	8.2	Neutral	\$41	\$40.31	3.7%	70%	200	2.06	2.14	2.30	2.41	2.51	19.6	18.8	17.5	16.7	16.1	2.07	2.14	2.31	2.41	2.51	19.4	18.8	17.5	16.7	16.1
SRE	Sempra Energy	31.0	Buy	\$133	\$113.10	3.5%	64%	274	5.47	6.13	7.29	7.60	7.96	20.7	18.5	15.5	14.9	14.2	5.46	6.05	7.21	7.54	7.88	20.7	18.7	15.7	15.0	14.4
Average						3.7%	68%							19.4	18.2	16.7	15.8	15.0						19.4	18.4	16.9	16.0	15.2
Other		Market (\$bn)	Rating	Target Price	Current Price	Dividend ('20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
						Yield	Payout		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	17.1	Neutral	\$96	\$93.27																							

Note: We are currently restricted on SII due to the firm's investment banking activities

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

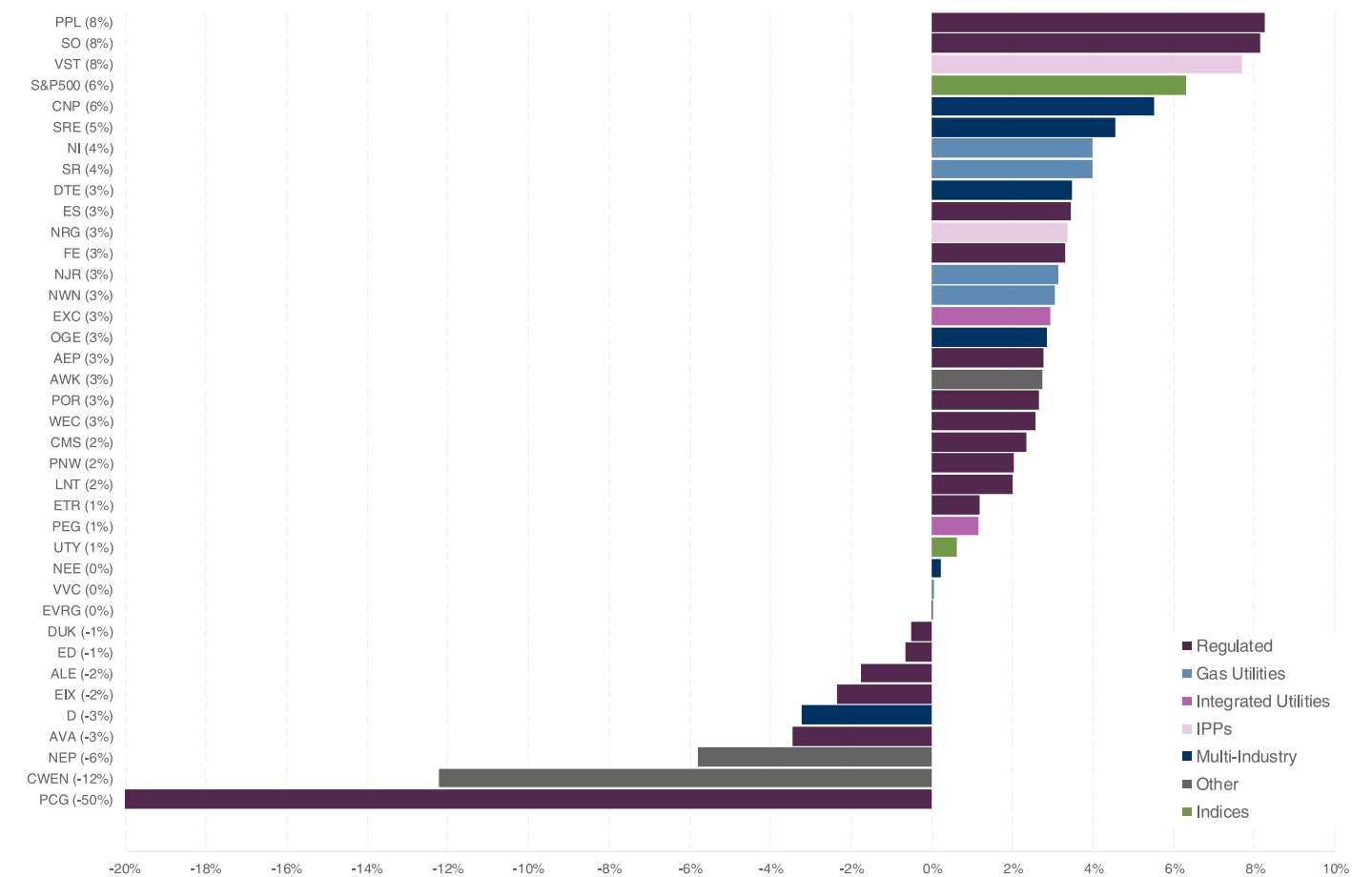
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SII due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	ALE	4/2-4/4	TBD
FE	1/22-1/23	Boston/NYC	POR	4/29-4/30	West Coast
D	2/25-2/26	Boston/NYC	DUK	6/6-6/7	Midwest
WEC	2/27-2/28	West Coast	PEG	6/24-6/25	Midwest
EXC	3/7-3/8	Dallas/Houston	AWK	7/9-7/10	Midwest
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			

**MORE TO BE ADDED...**

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
2. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
3. [CA Policy Speaker Series Recap II: Michael Gatto, Former CA Legislator on Legislative, Regulatory and Bankruptcy Process in California](#)
4. [CA Policy Speaker Series Recap I: Timothy Simon, Former CPUC Commissioner on CA Legislature, CPUC and Potential PCG Bankruptcy Process](#)
5. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over," One More Round for Utilities](#)
6. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
7. [Guggenheim's 2018 EEI Summary](#)
8. [Guggenheim EEI Takeaways - Day 3](#)
9. [Guggenheim EEI Takeaways - Day 2](#)
10. [Guggenheim EEI Takeaways - Day 1](#)
11. [Guggenheim EEI - Investor Question Bank](#)
12. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
13. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
14. [Coal/Nuclear: Will Politics "Trump" Reality](#)
15. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
16. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
17. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
18. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
19. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
20. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
21. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
22. [Guggenheim EEI Takeaways - Day 1](#)
23. [Guggenheim EEI Takeaways - Day 2](#)
24. [Guggenheim EEI Takeaways - Day 3](#)
25. [Utility and IPP 3Q17 Model Sweep](#)
26. [DOE Texas Tango – Will FERC Dance?](#)
27. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
28. [AGA Conference Highlights and Management Meeting Takeaways](#)
29. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)

### Key Company Research

1. [PCG Exonerated for Tubbs Fire; Reinforces Premature Bankruptcy View](#)
2. [PCG—Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
3. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
4. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
5. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
6. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
7. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
8. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
9. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
10. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
11. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
12. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
13. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
14. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
15. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
16. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
17. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
18. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
19. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
20. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
21. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
22. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)

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23. [SRE – “Active” Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
24. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
25. [EVRG – Click, Click, There’s No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
26. [VST – Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
27. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
28. [PCG–“Once an Accident, Twice a Coincidence, 3 Times a Habit” Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
29. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
30. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
31. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
32. [FE – “Can’t Always Get What You Want, Get What You Need”: Above Avg. Growth, Deep Discount Generating Vast Interest](#)
33. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
34. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
35. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
36. [CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
37. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
38. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
39. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
40. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
41. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
42. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
43. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
44. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
45. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a “Premium” Watermark with Their Standalone Plan](#)

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**BUY (B)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

**NEUTRAL (N)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

**SELL (S)** - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

**NR** - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

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Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
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SELL	8	2.13%	0	0.00%

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212 651 0847**The Guggenheim Daily Transmission: PCG, AVA, D, DUK, EXC, FE****For the PJM Conference Call and Guggenheim's NDR schedule, please scroll down****What's New?****Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions (see our note [HERE](#))****PCG** – PCG response to proposed order and Federal Judge inquiry shows complete elimination of wildfire risk as financially and operationally infeasible; could cost up to \$150B**PCG** – PCG asks FERC to reject NEE complaint on PPA protection based on conflicted case law and “hypothetical” harm**AVA** – Avista / Hydro One merger ends on mutual agreement to terminate regulatory proceedings**D/DUK** – Update on remanded permits for ACP & D Joins NEE FERC petition on PPAs**EXC/FE** – FES files reorganization agreement with court, terminates sale of retail business to EXC

Ticker	Price	Rating
PCG	7.99	Neutral
AVA	41.07	Neutral
D	69.43	Buy
DUK	86.13	Buy
EXC	46.87	Buy
FE	39.37	Buy
NEE	179.38	Buy

**PCG** – PCG response to proposed order and Federal Judge inquiry shows complete elimination of wildfire risk as financially and operationally infeasible; could cost up to \$150B

- Federal probation judge William Alsup made inquiries to verify that overhead exposed conductor lines were the primary cause of wildfires and ordered to show cause why PCG probation should not be modified.
- In PCG's response, the utility shows that the complete removal of tree contact would require the removal of 100 million trees and would require more workers than are available for an effort of \$75-150B in costs.
- PCG also noted that the order does not address the damage from overly aggressive vegetation management, the risks of de-energizing power lines and reliability of the electric grid.

**Guggenheim takeaway:** Cost of wildfire mitigation has always been an issue for PCG. To the company's credit, they have deployed above approved levels of vegetation management under catastrophic emergency memorandum accounts in past years, and the commission was approving deferred recovery as programs were completed. Even at that point both the CPUC and PCG recognized the importance of the programs, but also the limitations in deploying large numbers of contractors, with the maximum spend potentially limited by availability of qualified labor. Even as the company heads into bankruptcy, there seems to be a deadlock between the stakeholders as to what is reasonable, feasible and prudent.

**PCG** – PCG asks FERC to reject NEE complaint on PPA protection based on conflicted case law and “hypothetical” harm

- PCG provided comments on NEE/NEP's complaint with FERC in a 1000+ page response with vast amounts of case law and arguments to dismiss the complaint.

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- According to the filing, the complaint "alleges only hypothetical harm" that is "purely speculative" at this point and the bankruptcy court has jurisdiction over PPA contracts, not FERC.
- PCG argues that PPAs can be discharged in bankruptcy, citing a 2004 decision by the U.S. Court of Appeals for the 5th Circuit in *Mirant Corp. v. Potomac Electric Power*, which found that debtors can reject wholesale power contracts without FERC's approval.

**Guggenheim takeaway:** *Not being bankruptcy experts, we are unclear on PCG strategy here. It is hard to see this being value accretive for creditors in bankruptcy as contract breaks will likely become unsecured claims (increasing liability pool). Another scenario with low probability is the assumption that the CPUC expects all stakeholders including PPA counterparties to share in the risk of wildfires, or CPUC may choose to use PPA renegotiation as retained earnings or cash flow improvement during bankruptcy; either way destroying equity value for developers and renewable generators across the board and potentially stopping the state renewable energy agenda in its tracks. While we accept the legal standing for the argument PCG makes to FERC, there still does not seem to be a winner from contract renegotiations, just more collateral damage.*

#### **AVA – Avista – Hydro One merger ends on mutual agreement to terminate regulatory proceedings**

- Avista and Hydro One (H.TO) jointly filed to cease merger proceedings, formally calling off the merger.
- In the AVA local Spokane newspaper AVA CEO Scott Morris gave comments on the deal breaking, and AVA intent to stay a local Spokane, WA based utility.
- Morris noted that the company will not be seeking another deal, as the Hydro One deal presented a unique opportunity due to counterparty size and ability to maintain an independent corporate governance structure.

**Guggenheim takeaway:** *While we expected the deal to fall apart due to multiple regulatory denials and challenges in appeal, CEO Morris' statement puts to rest the "white knight" alternative transaction. Based on the comments, we expect the company to focus on core utility operations in the near term and work through required regulatory processes to true up revenues and costs. The return to core operations could be a positive driver for AVA in 2019-2020 as we see an incrementally constructive WA-UTC after our meetings noted [HERE](#).*

#### **D/DUK – Update on remanded permits for ACP & D Joins NEE FERC petition on PPAs**

- As a reminder, two federal agencies filed motions with the 4<sup>th</sup> circuit court to remand ACP permits.
- The National Park Service motion was granted yesterday, and the US Army Corp of Engineers motion is pending.
- D joined NEE's petition for FERC to have jurisdiction over solar PPAs.
- D's exposure to PCG is very small and after-tax income from solar PPAs is only \$3.5mm/yr.
- D's solar PPAs are not as old as other contracts in CA and for this reason their \$/MWh exposure is likely lower.

**Guggenheim takeaway:** *We caught up with D and the company view is that remanding the permits could be a positive for ACP given that it could give the federal agencies an opportunity to address issues raised by petitioners. There seems to be optimism that the federal agencies will re-issue the permits/authorizations in a manner that pro-actively addresses concerns that have been raised and this could make the permits more robust under judicial scrutiny.*

#### **EXC/FE – FES files reorganization agreement with court, terminates sale of retail business to EXC**

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- The bankrupt generator has filed to terminate the sale of its retail business to Exelon for \$140mm, and will [reportedly](#) pay a \$4.2mm fee and \$1.4mm for Exelon's expenses.
- Filing available [HERE](#).

**Guggenheim takeaway:** *As a reminder, we are restricted from commenting on the FES bankruptcy due to ongoing investment banking activity. For EXC, in our view, the termination is unfortunate but not material.*

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## Guggenheim's Power &amp; Utility Comp Sheet

as of Close Wednesday, January 23, 2019

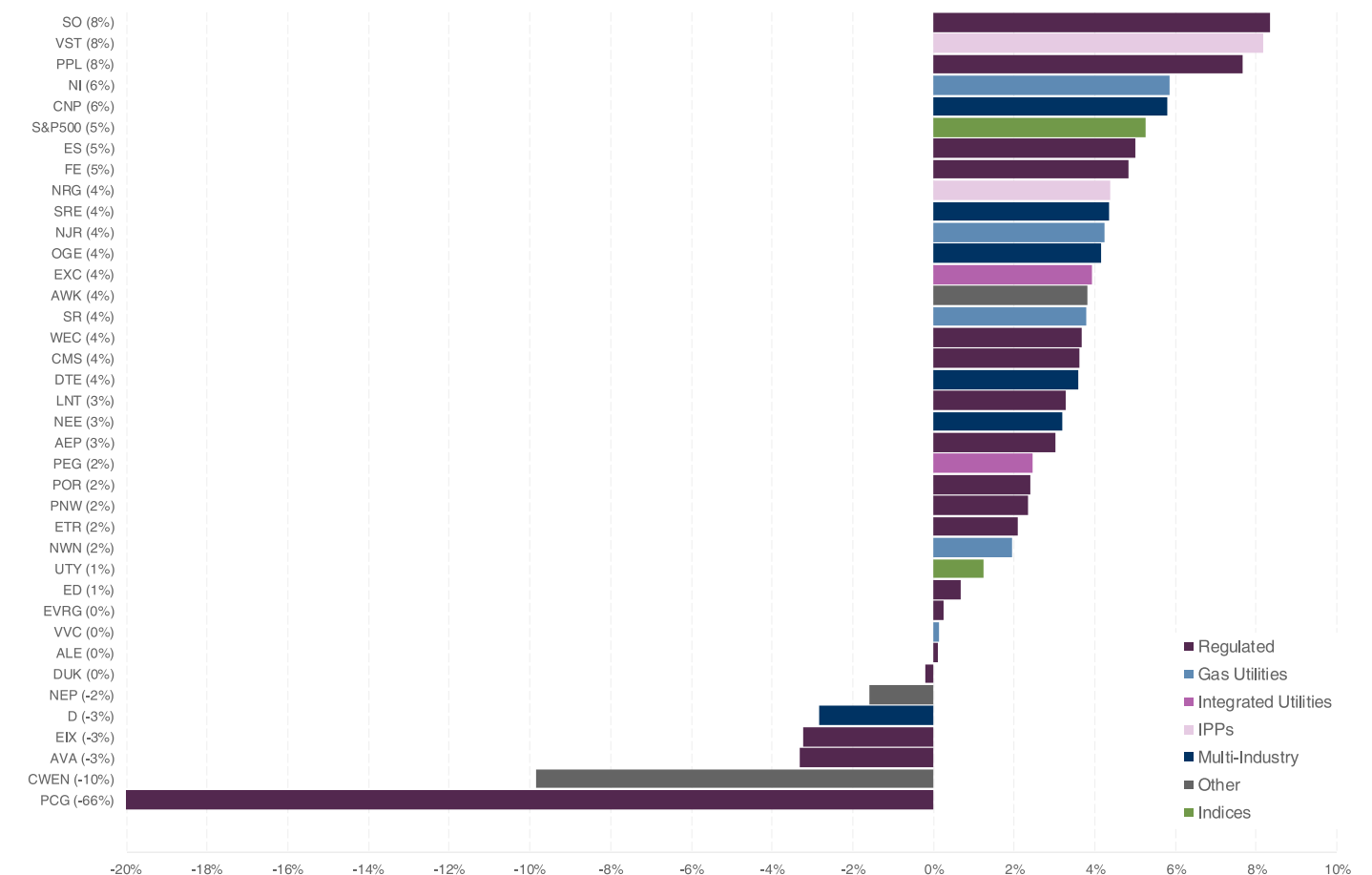
as of Close									Guggenheim										Consensus									
Regulated Electric Utilities <sup>(1)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	38.0	Neutral	\$78	\$77.01	3.6%	\$0.62	493	3.93	4.17	4.44	4.71	4.93	19.6	18.5	17.3	16.4	15.6	3.94	4.12	4.38	4.64	4.92	19.6	18.7	17.6	16.6	15.6
ALE	ALLETE	3.9	Neutral	\$74	\$76.30	3.3%	\$0.64	51	3.34	3.71	4.01	4.20	4.46	22.8	20.6	19.0	18.2	17.1	3.37	3.62	3.93	4.10	4.46	22.7	21.1	19.4	18.6	17.1
AVA	Avista*	2.7	Neutral	\$42	\$41.07	4.0%	\$0.71	66	2.05	2.19	2.31	2.38	2.45	20.0	18.8	17.8	17.3	16.8	2.09	2.19	2.97	2.38	2.45	19.7	18.7	13.8	17.3	16.8
CMS	CMS Energy	14.6	Neutral	\$53	\$51.44	3.2%	\$0.61	283	2.35	2.50	2.69	2.88	3.08	21.9	20.6	19.1	17.9	16.7	2.34	2.50	2.68	2.86	3.07	22.0	20.6	19.2	18.0	16.8
DUK	Duke Energy	61.4	Buy	\$94	\$86.13	4.2%	\$0.75	713	4.78	5.00	5.26	5.57	5.91	18.0	17.2	16.4	15.5	14.6	4.75	4.96	5.24	5.54	5.86	18.1	17.4	16.4	15.6	14.7
ED	Consolidated Edison	24.0	Neutral	\$82	\$76.98	3.9%	\$0.66	311	4.25	4.36	4.61	4.79	4.95	18.1	17.7	16.7	16.1	15.6	4.28	4.30	4.53	4.79	4.91	18.0	17.9	17.0	16.1	15.7
EIX	Edison International*	17.9	Buy	\$69	\$54.93	5.0%	\$0.55	326	4.15	4.57	4.93	5.37	5.70	13.2	12.0	11.1	10.2	9.6	4.15	4.51	4.79	5.00	5.30	13.2	12.2	11.5	11.0	10.36
ES	Eversource Energy	21.6	Buy	\$72	\$68.30	3.3%	\$0.61	317	3.27	3.51	3.71	3.94	4.17	20.9	19.5	18.4	17.3	16.4	3.28	3.48	3.70	3.91	4.17	20.8	19.6	18.5	17.5	16.38
ETR	Entergy	15.9	Buy	\$96	\$87.87	4.3%	\$0.67	181	7.02	5.94	5.66	5.92	6.33	12.5	14.8	15.5	14.8	13.9	7.07	5.99	5.81	5.82	5.98	12.4	14.7	15.1	15.1	14.7
EVRG	Energy	15.0	Buy	\$63	\$56.92	3.7%	\$0.64	263	2.63	2.93	3.27	3.42	3.58	21.6	19.4	17.4	16.6	15.9	2.60	2.95	3.29	3.42	3.58	21.9	19.3	17.3	16.6	15.9
FE	FirstEnergy	20.1	Buy	\$46	\$39.37	4.0%	\$0.60	511	2.56	2.57	2.63	2.81	3.02	15.4	15.3	15.0	14.0	13.0	2.54	2.57	2.53	2.66	2.89	15.5	15.3	15.6	14.8	13.6
LNT	Alliant Energy	10.3	Neutral	\$41	\$43.64	3.4%	\$0.63	236	2.18	2.24	2.37	2.50	2.69	20.0	19.5	18.4	17.5	16.2	2.16	2.25	2.39	2.52	2.66	20.2	19.4	18.2	17.3	16.4
PCG	PG&E Corporation*	4.1	Neutral	NA	\$7.99	0.0%	\$0.00	519	3.84	4.07	4.39	4.57	4.67	2.1	2.0	1.8	1.7	1.7	3.82	4.03	4.19	4.29	4.21	2.1	2.0	1.9	1.9	1.9
PNW	Pinnacle West	9.8	Neutral	\$89	\$87.19	3.6%	\$0.63	112	4.49	4.84	5.04	5.25	5.45	19.4	18.0	17.3	16.6	16.0	4.48	4.85	5.04	5.27	5.42	19.5	18.0	17.3	16.5	16.1
POR	Portland General Electric	4.2	Neutral	\$44	\$46.95	3.4%	\$0.63	89	2.32	2.43	2.54	2.68	2.75	20.2	19.3	18.5	17.5	17.1	2.35	2.45	2.55	2.68	2.75	20.0	19.2	18.4	17.5	17.07
PPL	PPL Corporation	22.0	Neutral	\$29	\$30.50	6.0%	\$0.70	720	2.36	2.44	2.61	2.74	2.85	12.9	12.5	11.7	11.1	10.7	2.36	2.44	2.55	2.58	2.84	12.9	12.5	12.0	11.8	10.76
SO	Southern Company	49.0	Neutral	\$44	\$47.58	5.3%	\$0.81	1029	3.07	3.05	3.15	3.31	3.46	15.5	15.6	15.1	14.4	13.8	3.04	3.02	3.13	3.25	3.45	15.6	15.8	15.2	14.6	13.81
WEC	WEC Energy	22.7	Buy	\$76	\$71.80	3.5%	\$0.67	316	3.32	3.50	3.73	3.98	4.26	21.6	20.5	19.2	18.0	16.9	3.33	3.51	3.74	3.97	4.24	21.5	20.4	19.2	18.1	16.92
*Average (Excl. EIX, PCG, PPL for P/E)						3.8%	62%							19.2	18.3	17.4	16.5	15.7						19.2	18.4	17.2	16.7	15.8
Regulated Gas Utilities <sup>(2)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	10.0	Buy	\$29	\$26.83	3.0%	58%	372	1.28	1.38	1.48	1.58	1.68	21.0	19.4	18.1	17.0	16.0	1.28	1.34	1.44	1.57	1.68	21.0	20.0	18.7	17.1	16.0
NJR	New Jersey Resources	4.2	Sell	\$39	\$47.61	2.5%	60%	89	2.74	2.01	2.19	2.36	2.54	17.4	23.7	21.7	20.2	18.7	2.74	2.12	2.27	2.33	2.54	17.4	22.5	21.0	20.4	18.7
NWN	NW Natural Gas	1.8	Sell	\$49	\$61.63	3.1%	77%	29	2.17	2.44	2.60	2.66	2.71	28.4	25.3	23.7	23.2	22.7	2.23	2.46	2.58	2.64	2.71	27.7	25.0	23.9	23.3	22.7
SR	Spire	3.9	Neutral	\$77	\$76.88	3.1%	65%	51	3.74	3.75	3.92	4.06	4.30	20.6	20.5	19.6	18.9	17.9	3.72	3.73	3.90	3.99	4.30	20.7	20.6	19.7	19.3	17.9
VVC	Vectren*	6.0	Neutral	\$72	\$72.07	2.7%	63%	83	2.89	3.09	3.27	3.47	3.71	24.9	23.3	22.0	20.8	19.4	2.88	3.05	3.28	3.47	3.71	25.0	23.6	22.0	20.8	19.4
*Average (Excl. VVC)						3.1%	66%							21.8	22.2	20.8	19.8	18.8						21.7	22.0	20.8	20.1	18.8
Integrated Utilities <sup>(3)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	45.3	Buy	\$53	\$46.87	3.1%	46%	967	3.09	3.16	3.25	3.17	3.21	15.2	14.8	14.4	14.8	14.6	3.12	3.17	3.19	3.17	3.35	15.0	14.8	14.7	14.8	14.0
PEG	PSEG	27.0	Buy	\$59	\$53.33	3.5%	58%	505	3.13	3.28	3.49	3.60	3.83	17.0	16.3	15.3	14.8	13.9	3.10	3.25	3.55	3.67	3.88	17.2	16.4	15.0	14.5	13.7
Average						3.3%	52%							16.1	15.5	14.9	14.8	14.3						16.1	15.6	14.8	14.7	13.9
Independent Power Producers (IPPs) <sup>(4)</sup>									Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	12.0	Buy	\$51	\$41.34	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	8.8	9.4	9.7	9.2	9.2	1,775	2,024	1,853	1,840	1,936	9.9	8.5	9.0	9.3	NA
VST	Vistra Energy	12.5	Buy	\$37	\$24.76	2.0%	0%	504	2,800	3,307	3,355	3,402	3,402	8.3	7.1	6.9	6.6	6.4	2,760	3,332	3,247	3,217	3,654	8.1	6.6	6.5	6.0	NA
Average														8.5	8.3	8.3	7.9	7.8						9.0	7.5	7.8	7.6	NA
Multi-Industry Utilities <sup>(5)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	15.0	Buy	\$33	\$29.87	3.9%	68%	501	1.58	1.72	1.82	1.92	2.02	18.9	17.4	16.4	15.6	14.8	1.58	1.69	1.82	1.94	2.02	18.9	17.6	16.4	15.4	14.8
D	Dominion	52.2	Buy	\$82	\$69.43	5.3%	86%	752	4.02	4.27	4.49	4.76	5.18	17.3	16.3	15.5	14.6	13.4	4.06	4.24	4.45	4.68	4.94	17.1	16.4	15.6	14.8	14.1
DTE	DTE Energy	20.8	Buy	\$129	\$114.27	3.3%	60%	182	6.40	6.32	6.84	7.34	7.70	17.9	18.1	16.7	15.6	14.8	6.33	6.24	6.58	7.04	7.43	18.1	18.3	17.4	16.2	15.4
NEE	NexEra	85.7	Buy	\$205	\$179.38	2.8%	58%	478	7.83	8.63	9.19	9.91	10.52	22.9	20.8	19.5	18.1	17.1	7.74	8.40	9.05	9.79	10.49	23.2	21.3	19.8	18.3	17.1
OGE	OGE Energy	8.2	Neutral	\$41	\$40.82	3.7%	70%	200	2.06	2.14	2.30	2.41	2.51	19.8	19.1	17.7	16.9	16.3	2.07	2.14	2.31	2.41	2.51	19.7	19.1	17.7	16.9	16.3
SRE	Sempra Energy	30.9	Buy	\$133	\$112.91	3.5%	64%	274	5.47	6.13	7.29	7.60	7.96	20.6	18.4	15.5	14.9	14.2	5.46	6.05	7.21	7.54	7.88	20.7	18.7	15.7	15.0	14.3
Average						3.7%	68%							19.6	18.3	16.9	15.9	15.1						19.6	18.6	17.1	16.1	15.3
Other									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	17.0	Neutral	\$96	\$94.24	2.1%	54%	181	3.30	3.61	3.96	4.27	4.60	28.6	26.1	23.8	22.1	0.0	3.30	3.58	3.88	4.24	4.59	28.6	26.4	24.3	22.2	20.5
									Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Clearway Energy	3.3	Neutral	\$17	\$15.55	8.5%	NA	183	1,039	1,069	1,116	1,159	1,159	8.9	8.7	8.8												

POWER, UTILITIES & ALTERNATIVE ENERGY

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SII due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.  
 (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).  
 (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.  
 (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.  
 (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## Guggenheim Policy Speaker Series - PJM Reforms

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### Guggenheim Policy Series

Equity Research | Corporate Access

## Policy Speaker Series: PJM Reform Update with the RTO's Former Chief Economist, Paul Sotkewicz

Please join us for an accessible conversation on the slate of upcoming energy and capacity market reforms in PJM with the RTO's former Chief Economist, Paul Sotkewicz.

#### Date and Time

Friday, January 25, 2019  
1:00pm – 2:00pm ET

#### Topics Will Include:

- **PJM Capacity Reforms**
  - Outlook for a FERC decision in the NT given a 2-2 Commission
  - Puts and takes of ReCo, E-ReCo, and other proposed mechanisms
  - Insight into the stakeholder process and state-federal policy frictions
- **Energy Reforms**
  - Fast Start pricing implementation and other price formation efforts
  - Directional commentary, technical thoughts, and timing
- *And more to be discussed...*

#### Dial-in

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

#### Speaker Bio

**Paul Michael Sotkewicz** is currently employed at E-Cubed Policy Associates, LLC, since March 2016, holding the title of President and Founder. Previously, Paul held the position of Senior Economic Policy Advisor, while working at PJM Interconnection, L.L.C.. Before this, Paul held the position of Chief Economist, while working at PJM Interconnection, L.L.C.. Paul occupied this position for 5 years (March 2010 - June 2015). Previously, Paul held the position of Director of Energy Studies, while working at University of Florida and the position of Economist, at the Federal Energy Regulatory Commission. Paul received a Doctor of Philosophy (Ph.D.) in Economics, in 2003, from the University of Minnesota-Twin Cities.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 24, 2019

**Guggenheim 2019 Non Deal Roadshow Schedule**

Ticker	Dates	Regions	Ticker	Dates	Regions
<b>Commissioner Roundtable</b>	1/23	NYC	<b>ALE</b>	4/2-4/4	TBD
<b>FE</b>	1/22-1/23	Boston/NYC	<b>POR</b>	4/29-4/30	West Coast
<b>D</b>	2/25-2/26	Boston/NYC	<b>DUK</b>	6/6-6/7	Midwest
<b>WEC</b>	2/27-2/28	West Coast	<b>PEG</b>	6/24-6/25	Midwest
<b>EXC</b>	3/7-3/8	Dallas/Houston	<b>AWK</b>	7/9-7/10	Midwest
<b>PNW</b>	3/11-3/13	Midwest			
<b>DTE</b>	3/25-3/26	Boston/NYC			

***MORE TO BE ADDED...***

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [Open Dialogue with MO, WA Commissioners - Walking Away Incrementally Positive on Both Jurisdictions](#)
2. [Major Change at CPUC Cometh? Follow Up on Potential CPUC Movements, Governor's Chance to Reset CPUC Agenda](#)
3. [CA Policy Speaker Series Recap II: Michael Gatto, Former CA Legislator on Legislative, Regulatory and Bankruptcy Process in California](#)
4. [CA Policy Speaker Series Recap I: Timothy Simon, Former CPUC Commissioner on CA Legislature, CPUC and Potential PCG Bankruptcy Process](#)
5. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over," One More Round for Utilities](#)
6. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
7. [Guggenheim's 2018 EEI Summary](#)
8. [Guggenheim EEI Takeaways - Day 3](#)
9. [Guggenheim EEI Takeaways - Day 2](#)
10. [Guggenheim EEI Takeaways - Day 1](#)
11. [Guggenheim EEI - Investor Question Bank](#)
12. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
13. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
14. [Coal/Nuclear: Will Politics "Trump" Reality](#)
15. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
16. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
17. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
18. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
19. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
20. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
21. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
22. [Guggenheim EEI Takeaways - Day 1](#)
23. [Guggenheim EEI Takeaways - Day 2](#)
24. [Guggenheim EEI Takeaways - Day 3](#)
25. [Utility and IPP 3Q17 Model Sweep](#)
26. [DOE Texas Tango – Will FERC Dance?](#)
27. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
28. [AGA Conference Highlights and Management Meeting Takeaways](#)
29. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
30. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
31. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
32. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
33. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [PCG–Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
2. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
3. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
4. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
5. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
6. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
7. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
8. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
9. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
10. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
11. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
12. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)

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18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion’s Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a “Clean Story”....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – “Active” Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
24. [EVRG – Click, Click, There’s No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
27. [PCG–“Once an Accident, Twice a Coincidence, 3 Times a Habit” Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
30. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
31. [FE – “Can’t Always Get What You Want, Get What You Need”: Above Avg. Growth, Deep Discount Generating Vast Interest](#)
32. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
33. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
34. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
35. [CNP/VVC – Paying the Price Above the “Premium” Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
36. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
37. [VST: Introducing Estimates for the Combined Company: A “Prospective” View Bookended by Dividends; Raising PT to \\$37](#)
38. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don’t Blink or You Might Miss the Make-Over](#)
39. [WEC NDR – The “Milwaukee Buck” Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI’s Court](#)
40. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
41. [DTE NDR: Motor City’s Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a “Home Run”](#)
42. [CMS Mgmt. Roadshow-ROEs Going Down or Staying “Yooper” \(UP\) in Michigan? We May be at an Inflection Point](#)
43. [SRE– “You Mess w/ the Bull, You Get the Horns”; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
44. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a “Premium” Watermark with Their Standalone Plan](#)
45. [EIX – Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In](#)
46. [AEP – Upgrading to NEUTRAL on Balancing Risks – Wind Catcher a Nice Have but Now Pure Upside](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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Power, Utilities &amp; Alternative Energy

January 18, 2019

**The Guggenheim Daily Transmission: PCG, D, ERCOT, DUK, EXC, PEG, Policy, NRG, PJM****For CA Conference calls, Guggenheim Commissioner event and NDR schedule, please scroll down****What's New?****PCG** – Butte court case identifies alternative wildfire measures contemplated by PCG, cheapest option implemented**PCG** – Federal judge requests comments on his finding that most PCG fires are caused by bare conductors**D** – Virginia regulators push back on grid mod plan**ERCOT** – PUCT directs grid operator to implement ORDC changes**DUK/EXC/PEG** – Duke, Exelon, and PSEG amongst qualified applicants for Puerto Rican grid management RFP**Policy** – Harvard Law's Peskoe comments on merits of EPSA ZEC appeal to SCOTUS**NRG** – Fisk Plant redevelopment and peaker permit extension draws local scrutiny**PJM** – Cold Weather Alert issued by grid operator for MLK Day**PCG – Butte court case identifies alternative wildfire measures contemplated by PCG, cheapest option implemented**

- Bloomberg reports (through terminal) on the Butte fire litigation have found records of PCG considering several options to mitigate fire risk in the urban-wildfire interface.
- Options included vegetation management, insulated conductors and undergrounding.
- Vegetation management was chosen as the most cost-efficient option.

**Guggenheim takeaway:** While the headline of PCG taking the cheapest path to wildfire safety resonates, the CPUC approved the spending and programs that PCG implemented, with subsequent PCG requests for recovery showing that programs were expanded and delivered above original plans. It's hard to tell if this constitutes a strong legal claim or if such a claim would not be reimbursed by the CPUC under a prudence review.

**PCG – Federal judge requests comments on his finding that most PCG fires are caused by bare conductors**

- PCG federal probation judge William Aslup requested comments on the finding that the "single most recurring cause of the large 2017 and 2018 wildfires attributable to PG&E's equipment has ... trees or limbs falling onto them [distribution lines] during high-wind events."
- This finding is a result of voluminous data requests over the last 3 weeks, where PCG detailed CalFire findings and its own evidence of fire ignition points (with strong evidence of the largest 2017 fire to be caused by unlicensed installation of customer equipment).
- All parties will file comments by January 23, and the finding will be discussed at the January 30 hearing.

Ticker	Price	Rating
PCG	6.36	Neutral
D	68.94	Buy
DUK	85.64	Buy
EXC	46.02	Buy
PEG	52.21	Buy
NRG	41.06	Buy

**Guggenheim takeaway:** This is not a fundamentally different discovery from past wildfire facts, but a federal judge acknowledging that the cause is systemic to the design, rather than management of the system could be a constructive datapoint for recovery of liability claims, as it does not point to negligence. Furthermore, the CPUC is aware of the nature of exposed conductor distribution systems and has only approved very minor undergrounding projects, making the argument for PCG prudence in operating exposed conductors and utilizing vegetation management as a risk mitigation measure.

#### D – Virginia regulators push back on grid mod plan

- The Virginia State Corporation Commission (SCC) approved much less grid mod spending for VEPCO than initially expected.
- The SCC approved \$154.5mm in spending for physical security and cybersecurity but denied ~\$725mm of spend on advanced metering, intelligent grid devices and grid hardening.
- In its order, the SCC [noted](#), “Dominion’s plan is expensive, so it is important that Dominion’s customers receive adequate benefits for the costs they will bear in their monthly bills.”
- SCC also explained, “we find the plan elements related to cyber and physical security are well-conceived, well supported and cost effective, we find that the remaining elements, which will cost customers hundreds of millions of dollars, are not.”
- D intends to refile in ~mid 2019 and expects an updated order 6 months from the date of refiling. SCC’s order notes that their ruling allows Dominion to propose a smart meter and grid enhancement plan in the future.

**Guggenheim takeaway:** Data point, this is part of the regulatory process... some pushback and back and forth...nevertheless a disappointing headline for D. Key point is that the SCC does agree that smart meters and other grid enhancements “hold the promise for a true transformation of the grid,” however, “prudent only if the expenditure is accomplished by a well-crafted plan.” In between the lines, we believe SCC may be telling D to refile with a new plan but one not as expensive or maybe smooths spend over time. Dominion intends to refile in mid-2019 with order expected by YE and will be more precise with costs projections, more in-depth discussion of planned capital including cost/benefit analysis.

#### ERCOT – PUCT directs grid operator to implement ORDC changes

- At the PUCT’s open meeting yesterday, the Commission directed the ISO to undertake a 0.25 standard deviation shift in the Loss of Load Probability for the ORDC.
- Chair Walker’s memo prior to the meeting indicated that she supports a step function adjustment to the price adder, with another 0.25 adjustment in 2020.
- The Commissioners were in agreement during the open meeting, with Commissioner Botkin expressing some reservations regarding a second adjustment.
- See memo [HERE](#).

**Guggenheim takeaway:** Interesting outcome and good to have some movement after the PUCT punted on the subject for several weeks. The ORDC was the main item to watch here, and the Commission continues to think over the relatively less important, in our view, items like co-optimization and marginal losses. It remains somewhat of an open question in our view to what degree this change was already accounted for in the forward curves, as many stakeholders had anticipated at least some change to the LOLP calculation. As a reminder, barring an economic downturn, the Texas grid faces a very tight (<8% reserve margin) upcoming summer. We continue to watch for tightening in the curves, and any indication that developers are eyeing new entry.

#### DUK/EXC/PEG – Duke, Exelon, and PSEG amongst qualified applicants for Puerto Rican grid management RFP

- The 3 utilities are part of a group of 4 parties selected from the RFQ process, with the government of PR now inviting each to respond to a formal RFP.

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- "The market response was a very positive one. Having 4 highly-qualified companies competing for this P3 project, speaks volumes about the confidence they have in Puerto Rico and about credibility of the process. This competition will bring opportunities for providing better costs and better and new services to our consumers" - PREPA Executive Director, José Ortiz Vázquez.
- Press release available [HERE](#).

**Guggenheim takeaway:** A decision isn't expected until 3Q19 at the earliest. Management contracts are not particularly major next to utilities of DUK/EXC/PEG's size, however we continue to investigate the potential here. Stay tuned.

#### Policy – Harvard Law's Peskoe comments on merits of EPSA ZEC appeal to SCOTUS

- Ari Peskoe, Director of the Electricity Law Initiative at the Harvard Law School Environmental and Energy Law Program, notes in an opinion piece published on Utility Dive that, "**The Supreme Court should reject EPSA's petition.**"
- "The Supreme Court should reject requests for a do-over on state clean energy programs. Its 2016 decision in Hughes gets it right. States have broad authority to enact clean energy programs."
- Full piece [HERE](#).

**Guggenheim takeaway:** EPSA's petition to SCOTUS remains somewhat of an uphill battle in our view on the basis that ZECs were upheld in two different appeals courts, but we continue to monitor.

#### NRG – Fisk Plant redevelopment and peaker permit extension draws local scrutiny

- The redevelopment of the ~330MW Fisk coal plant in Chicago has [reportedly](#) drawn scrutiny over the 34MWs-worth of peaking units that remain active at the site.
- "PJM has a not-insignificant surplus of capacity... And no one has explored cleaner and cheaper and newer alternatives like storage or demand response, which would be a great alternative (to meeting or reducing peak demand). There's been no due diligence whatsoever in terms of do we need this and if we do, are there alternatives that could be better for our customers." – NRDC's Rachel Fakhry

**Guggenheim takeaway:** Very minor data point for your awareness.

#### PJM – Cold Weather Alert issued by grid operator for MLK Day

- The [alert](#) comes as temperatures are forecasted to [plummet](#) behind a large winter weather system.
- "As a general guide, PJM can initiate a Cold Weather Alert across the RTO or on a Control Zone basis when the forecasted/actual weather conditions approach 10 degrees Fahrenheit or below."

**Guggenheim takeaway:** Given the holiday, we don't expect the system to be particularly stretched, but stay tuned.

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Thursday, January 17, 2019

Price as of Close									Guggenheim										Consensus																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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**Note: We are currently restricted on SJI due to the firm's investment banking activities**

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

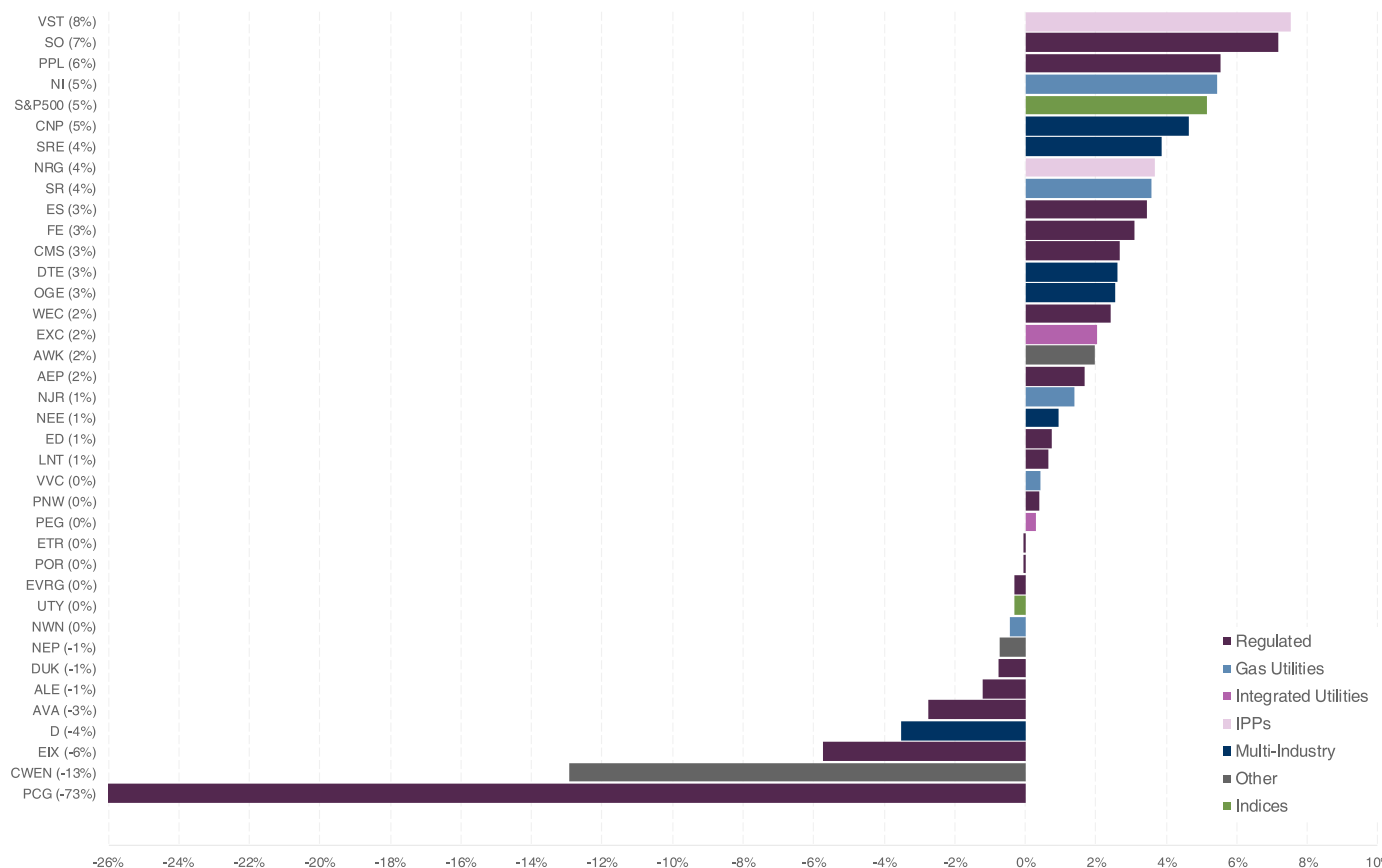
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## Guggenheim CA Policy Speaker Series - Part 2

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### Guggenheim Policy Series

Equity Research | Corporate Access

#### CA Policy Speaker Series:

Guggenheim-Hosted Legislative Perspectives Conference Call with Mike Gatto, Former Assemblyman and Chair of the Utilities & Commerce Committee in the California State Legislature – 4 Terms

#### Date and Time

Friday, January 18, 2019  
1:00pm – 2:00pm ET

#### Dial-in

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

#### Topics:

- Insight into new government officials, leadership, local politics and other interested key parties
- Legislative timelines, process, path forward and readthrough with potential CalFire findings
- Bailout/state assistance perspective
- Inverse Condemnation outlook
- Powers of CPUC vs. Legislatures
- Discussion of 2018 “gap” year
- Thoughts on potential PG&E bankruptcy, ramifications and key datapoints and groups to watch
- General thoughts around the CPUC
- *And more to be discussed...*

#### Speaker Bio

**Mike Gatto** is currently a Partner/Owner with Actium LLP, a Los-Angeles based law firm he founded in December 2016. Prior to this, Mike served as an Assemblyman in the California State Legislature for four terms, from June 2010 until December 2016.

#### Participating Guggenheim Analysts

**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## Guggenheim-Hosted Commissioner Roundtable





### Guggenheim Policy Series

Equity Research | Corporate Access

## SAVE THE DATE: Guggenheim Hosted Commissioner Roundtable Event

**Date & Time**  
Wednesday, January 23, 2019  
10:00am – 11:30am ET

**Location**  
Guggenheim Securities  
330 Madison Ave.  
32nd Floor  
New York, NY 10017

**Commissioner Participants**  
*\*Below Commissioners are confirmed, more will be added over the next two weeks*  
**Jay Balasbas**, Commissioner, Washington Utilities and Transportation Commission  
**Tricia Pridemore**, Commissioner, Georgia Public Service Commission  
**Maida Coleman**, Commissioner, Missouri Public Service Commission

**Hosting Analyst**  
**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## Guggenheim Policy Speaker Series - PJM Reforms

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## Guggenheim Policy Series

Equity Research | Corporate Access

**Policy Speaker Series: PJM Reform Update with the RTO's Former Chief Economist, Paul Sotkewicz**

Please join us for an accessible conversation on the slate of upcoming energy and capacity market reforms in PJM with the RTO's former Chief Economist, Paul Sotkewicz.

**Date and Time**

Friday, January 25, 2019  
1:00pm – 2:00pm ET

**Topics Will Include:**

- **PJM Capacity Reforms**
  - Outlook for a FERC decision in the NT given a 2-2 Commission
  - Puts and takes of ReCo, E-ReCo, and other proposed mechanisms
  - Insight into the stakeholder process and state-federal policy frictions
- **Energy Reforms**
  - Fast Start pricing implementation and other price formation efforts
  - Directional commentary, technical thoughts, and timing
- ***And more to be discussed...***

**Dial-in**

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

**Speaker Bio**

**Paul Michael Sotkewicz** is currently employed at E-Cubed Policy Associates, LLC, since March 2016, holding the title of President and Founder. Previously, Paul held the position of Senior Economic Policy Advisor, while working at PJM Interconnection, L.L.C.. Before this, Paul held the position of Chief Economist, while working at PJM Interconnection, L.L.C.. Paul occupied this position for 5 years (March 2010 - June 2015). Previously, Paul held the position of Director of Energy Studies, while working at University of Florida and the position of Economist, at the Federal Energy Regulatory Commission. Paul received a Doctor of Philosophy (Ph.D.) in Economics, in 2003, from the University of Minnesota-Twin Cities.

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	POR	4/29-4/30	West Coast
FE	1/22-1/23	Boston/NYC	DUK	6/6-6/7	Midwest
D	2/25-2/26	Boston/NYC	PEG	6/24-6/25	Midwest
WEC	2/27-2/28	West Coast	AWK	7/9-7/10	Midwest
EXC	3/7-3/8	Dallas/Houston			
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			

**MORE TO BE ADDED...**

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
2. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
3. [Guggenheim's 2018 EEI Summary](#)
4. [Guggenheim EEI Takeaways - Day 3](#)
5. [Guggenheim EEI Takeaways - Day 2](#)
6. [Guggenheim EEI Takeaways - Day 1](#)
7. [Guggenheim EEI - Investor Question Bank](#)
8. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
9. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
10. [Coal/Nuclear: Will Politics "Trump" Reality](#)
11. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
12. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
13. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
14. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
15. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
16. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
17. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
18. [Guggenheim EEI Takeaways - Day 1](#)
19. [Guggenheim EEI Takeaways - Day 2](#)
20. [Guggenheim EEI Takeaways - Day 3](#)
21. [Utility and IPP 3Q17 Model Sweep](#)
22. [DOE Texas Tango – Will FERC Dance?](#)
23. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
24. [AGA Conference Highlights and Management Meeting Takeaways](#)
25. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
26. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
27. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
28. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
29. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [PCG–Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
2. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
3. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
4. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
5. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
6. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
7. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
8. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
9. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
10. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
11. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
12. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)

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24. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
27. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
30. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
31. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
32. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
33. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
34. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
35. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
36. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
37. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
38. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
39. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
40. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
41. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
42. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
43. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
44. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)
45. [EIX – Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In](#)
46. [AEP – Upgrading to NEUTRAL on Balancing Risks – Wind Catcher a Nice Have but Now Pure Upside](#)

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## ANALYST CERTIFICATION

By issuing this research report, each Guggenheim Securities, LLC ("Guggenheim Securities") research analyst whose name appears in this report hereby certifies that (i) all of the views expressed in this report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst.

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## RATINGS EXPLANATION AND GUIDELINES

**BUY (B)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

**NEUTRAL (N)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

**SELL (S)** - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

**NR** - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

**CS** - Coverage Suspended. Guggenheim Securities, LLC has suspended coverage of this company.

**NC** - Not covered. Guggenheim Securities, LLC does not cover this company.

**Monitor** - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

**Under Review (UR)** - Following the release of significant news from this company, the rating has been temporarily placed under review until sufficient information has been obtained and assessed by the analyst.

Guggenheim Securities, LLC methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

**Equity Valuation and Risks:** For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <https://guggenheimlibrary.bluematrix.com/client/library.jsp>, contact the primary analyst or your Guggenheim Securities, LLC representative, or email [GSResearchDisclosures@guggenheimpartners.com](mailto:GSResearchDisclosures@guggenheimpartners.com).

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Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
BUY	212	57.14%	25	11.79%
NEUTRAL	153	41.24%	6	3.92%
SELL	6	1.62%	0	0.00%

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## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 18, 2019

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## RBC Capital Markets

January 18, 2019

Company: Exelon Corporation, EXC - Analyst Shelby Tucker, Currency: USD, Price  
Target: 51.00, Rating: Outperform

FY Dec	2017A	2018E	2019E	2020E
EPS, Adj Diluted	2.60	3.12	3.26	3.18
Prev.		3.11	3.17	3.07
DPS	1.31	1.38	1.45	1.53
P/AEPS	17.7x	14.8x	14.1x	14.5x
Div Yield	2.8%	3.0%	3.2%	3.3%
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2017	0.65A	0.54A	0.85A	0.55A
2018	0.96A	0.71A	0.88A	0.57E

## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

January 17, 2019

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## The Guggenheim Daily Transmission: PCG, CNP, ETR, D, ALE, EXC, NY, FERC, PJM, EPA, Policy

**For CA Conference calls, Guggenheim Commissioner event and NDR schedule, please scroll down****What's New?****PCG** – Large PCG shareholder sends letter to the Board claiming premature intention to file, violation of duty to shareholders**PCG** – Kinder Morgan pipeline may be another victim of PCG potential bankruptcy woes**CNP** – CNP, VVC receive merger approval in Indiana**ETR** – Pilgrim nuclear power plant decommissioning sale goes before NRC**D** – Virginia lawmakers want refund for utility customers**ALE** – 550MW NTEC plant proposal filed with PSCW**EXC** – Pepco MD files distribution case to recover \$30mm in reliability spending**NY/Policy** – Governor Cuomo announces doubling of solar goals, tripling of wind amid 'green new deal'**FERC/PJM** – FERC Staff request additional information on PJM VRR curve reset**EPA/Policy** – CPP replacement Affordable Clean Energy found to raise emission in 18 states**PCG – Large PCG shareholder sends letter to the Board claiming premature intention to file, violation of duty to shareholders**

- Blue Mountain Capital ("BMC") delivered a letter to the PCG Board of Directors and [posted the letter](#) to the public, alleging an abdication of fiduciary responsibilities.
- The letter claims PCG is solvent and is predicated on inflated estimates of contingent liabilities (i.e. wildfire claims).
- BMC stresses that the Board has a duty to act on behalf of shareholders, not "all stakeholders" as stated in the 8K detailing the intention to file.
- BMC is the ~#7 largest shareholder of PCG according to Bloomberg data.

**Guggenheim takeaway:** While the conditions for PCG filing bankruptcy are undeniable, the timing of the letter of intent and disclosure of the \$1.5B of cash and equivalents on hand as of January 11 have not pointed to imminent insolvency (as we noted [here](#)). The strength of the argument to halt the bankruptcy from BMC remains to be tested, as PCG's continued operations (and credit ratings) were predicated on a constructive regulatory and legislative environment. There is some merit to the argument based on most recent events of CEO departure and Board resignations, as those could be seen to restore some confidence that PCG will take the right steps to ensure safe and reliable service. At this time however, it is hard to see external support coming together in a short timeframe (January 29 filing intention). For more on our thoughts, please see our CA Speaker Series (Timothy Simon, ex-CPUC) note [here](#).

Ticker	Price	Rating
PCG	7.03	Neutral
D	68.97	Buy
ALE	74.59	Neutral
EXC	45.80	Buy
CNP	29.52	Buy
ETR	86.40	Buy

**PCG – Kinder Morgan pipeline may be another victim of PCG potential bankruptcy woes**

- Kinder Morgan (KMI) owns the Ruby pipeline, which delivers gas to PCG across a ~700mi conduit, and has take-or-pay contracts with PCG (contracts estimated to be 25% of the pipeline capacity).
- While gas will likely continue to flow to PCG as an essential service, it is unclear if and how the potential bankruptcy would affect the pipeline's financial integrity.

***Guggenheim takeaway:** Another data point for the importance of financially healthy utilities in providing essential services to consumers. Without a credit worthy utility or supplier consumers would face increased financing and collateral costs on top of the conventional delivery costs. If PCG files for bankruptcy as intended we would look to the bankruptcy judge and trustee to determine how operations will proceed in bankruptcy, and which contracts would be upheld.*

**CNP – CNP, VVC receive merger approval in Indiana**

- Indiana Utility Regulatory Commission approved the CNP/VVC merger and closed the proceeding via final order.
- The IURC proceeding was a voluntary informational proceeding as the IURC does not have jurisdiction to approve stock transactions at the holding company level, but the IURC has jurisdiction to review the merger's impact on Vectren Utilities' retail customers.

***Guggenheim takeaway:** Ohio remains the last open proceeding in regard to the proposed merger. Management reiterated their expectations of closing the merger in 1Q19 and with constructive signaling from Indiana, we see no roadblocks for a deal close in the near term. CNP expects to have an updated synergy and accretion analysis complete shortly after the deal closes and we expect the results to be a constructive catalyst for CNP in 2019.*

**ETR – Pilgrim nuclear power plant decommissioning sale goes before NRC**

- Entergy and Holtec presented a Post-Shutdown Decommissioning Activities Report as the NRC continues to review a license transfer for the plant which would complete a purchase and sale agreement.
- The plant is scheduled to shut down in May 2019, and decommissioning activities would continue through 2027.
- The parties expect NRC approval and sale of the decommissioning to be completed by the end of 2019.

***Guggenheim takeaway:** Earlier this year, ETR received final approvals to complete a similar transaction with the decommissioning of Vermont Yankee. Using that as a proven model, we expect ETR to work through the process with Pilgrim (and other plants) to complete the orderly wind down of the ETR wholesale generation as a part of the transformation plan for a fully regulated utility.*

**D – Virginia lawmakers want refund for utility customers**

- AP is [reporting](#) that Virginia lawmakers introduced a bill to refund utility customers millions of dollars that they have allegedly been overcharged.
- Del. Sam Rasoul-D explained, "My constituents have said their utility bills are too high, and we need to have a strong group advocating for consumers to ensure that ratepayers are not being taken advantage of."
- Rasoul is the chief sponsor of the bill known as the "Rate Payers Earned these funds, not Dominion" (REFUND) Act.

***Guggenheim takeaway:** Data point, the over-earning discussion was recently brought up in discussions at the utility regulator. The offshore wind projects are an example of one way to address the over-earning account by spending more capex to offset any alleged over-earning. For more see our note [HERE](#). Legislation was already passed to address the over-earning discussion so we're not sure how this bill will be received by the rest of the VA lawmakers.*

**ALE – 550MW NTEC plant proposal filed with PSCW**

- The \$700mm CCGT project is a joint proposal between ALE and Dairyland Power Cooperative, who have pitched the project as providing flexibility needed to accommodate additional renewables.
- See [HERE](#).

**Guggenheim takeaway:** As expected following the approval of the project by the MN PSC last fall. Should it receive approval in WI (possibly as early as 2Q19, in our view), ALE's portion of the associated capex would come in 2021-2023, with roughly \$170 in mgmt.'s guidance for 2022. As a reminder, NTEC is not in our current estimates.

**EXC – Pepco MD files distribution case to recover \$30mm in reliability spending**

- The filing seeks a \$29.99mm increase on a rate base of \$1.99bn, supported by a 10.30% ROE and 50.50 equity ratio (vs. 9.5% and 50.44% equity previously authorized in 5/2018).
- Pepco release available [HERE](#).

**Guggenheim takeaway:** No surprise given EXC's stated goal to reduce lag at the PHI utilities and improve earned ROEs closer to the 9-10% range. We currently model PHI earning slightly below 9% ROEs in our forecast for 2020.

**NY/Policy – Governor Cuomo announces doubling of solar goals, tripling of wind amid 'green new deal'**

- The [proposal](#) follows on the heels of the governor's December pledge to go 100% carbon free by 2040.
- The state [would](#) create a \$10bn 'green future fund' to support renewables, clean transport, and water infrastructure, and seeks to invest \$1.5bn in upstate solar, wind, and storage

**Guggenheim takeaway:** In case you missed it. It remains to be seen what kind of rate impact all of the policies will have on the state. Stay tuned.

**FERC/PJM – FERC Staff request additional information on PJM VRR curve reset**

- The RTO's latest review of capacity auction parameters led them to file shifts in the demand curve last October – FERC Staff are now seeking additional information on the assumptions and costs used for the filings.
- Letter available [HERE](#).

**Guggenheim takeaway:** This is much more of a run-of-the-mill item for PJM's auction structure (CONE is adjusted over time) and not related to the broader reform proposals currently under consideration at FERC.

**EPA/Policy – CPP replacement Affordable Clean Energy found to raise emission in 18 states**

- The study by Resources for the Future think tank, the Science Policy Exchange, and the Boston, Harvard and Syracuse Universities in [Environmental Research Letters reportedly](#) shows an "emissions rebound."
- "As a result, the ACE only modestly reduces national power sector CO2 emissions and increases CO2 emissions by up to 8.7% in eighteen states plus the District of Columbia in 2030 compared to no policy."

**Guggenheim takeaway:** Data point for your awareness.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 17, 2019

## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Wednesday, January 16, 2019

Price as of Close    Wednesday, January 16, 2019									Guggenheim										Consensus																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
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**Note: We are currently restricted on SJI due to the firm's investment banking activities**

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

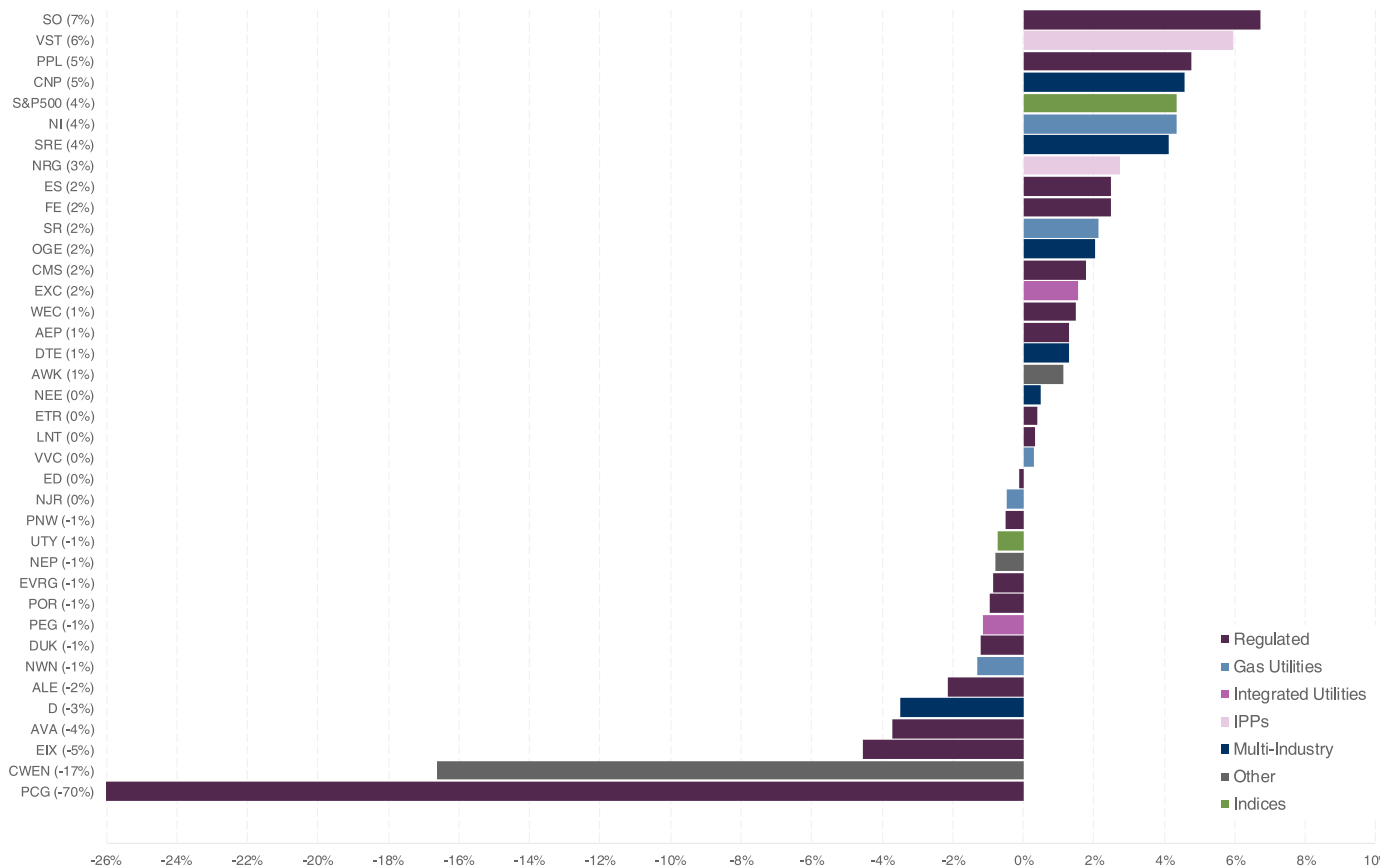
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

POWER, UTILITIES & ALTERNATIVE ENERGY

January 17, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## Guggenheim CA Policy Speaker Series - Part 2

GUGGENHEIM GUGGENHEIM



### Guggenheim Policy Series

Equity Research | Corporate Access

#### CA Policy Speaker Series:

Guggenheim-Hosted Legislative Perspectives Conference Call with Mike Gatto, Former Assemblyman and Chair of the Utilities & Commerce Committee in the California State Legislature – 4 Terms

#### Date and Time

Friday, January 18, 2019  
1:00pm – 2:00pm ET

#### Dial-in

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

#### Topics:

- Insight into new government officials, leadership, local politics and other interested key parties
- Legislative timelines, process, path forward and readthrough with potential CalFire findings
- Bailout/state assistance perspective
- Inverse Condemnation outlook
- Powers of CPUC vs. Legislatures
- Discussion of 2018 “gap” year
- Thoughts on potential PG&E bankruptcy, ramifications and key datapoints and groups to watch
- General thoughts around the CPUC
- *And more to be discussed...*

#### Speaker Bio

**Mike Gatto** is currently a Partner/Owner with Actium LLP, a Los-Angeles based law firm he founded in December 2016. Prior to this, Mike served as an Assemblyman in the California State Legislature for four terms, from June 2010 until December 2016.

#### Participating Guggenheim Analysts

**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## Guggenheim-Hosted Commissioner Roundtable





### Guggenheim Policy Series

Equity Research | Corporate Access

## SAVE THE DATE: Guggenheim Hosted Commissioner Roundtable Event

**Date & Time**  
Wednesday, January 23, 2019  
10:00am – 11:30am ET

**Location**  
Guggenheim Securities  
330 Madison Ave.  
32nd Floor  
New York, NY 10017

**Commissioner Participants**  
*\*Below Commissioners are confirmed, more will be added over the next two weeks*  
**Jay Balasbas**, Commissioner, Washington Utilities and Transportation Commission  
**Tricia Pridemore**, Commissioner, Georgia Public Service Commission  
**Maida Coleman**, Commissioner, Missouri Public Service Commission

**Hosting Analyst**  
**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 17, 2019

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	DUK	6/6-6/7	Midwest
FE	1/22-1/23	Boston/NYC	PEG	6/24-6/25	Midwest
D	2/25-2/26	Boston/NYC	AWK	7/9-7/10	Midwest
WEC	2/27-2/28	West Coast			
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			
ALE	4/2-4/4	TBD			
POR	4/29-4/30	West Coast			

**MORE TO BE ADDED...**

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
2. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
3. [Guggenheim's 2018 EEI Summary](#)
4. [Guggenheim EEI Takeaways - Day 3](#)
5. [Guggenheim EEI Takeaways - Day 2](#)
6. [Guggenheim EEI Takeaways - Day 1](#)
7. [Guggenheim EEI - Investor Question Bank](#)
8. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
9. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
10. [Coal/Nuclear: Will Politics "Trump" Reality](#)
11. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
12. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
13. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
14. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
15. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
16. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
17. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
18. [Guggenheim EEI Takeaways - Day 1](#)
19. [Guggenheim EEI Takeaways - Day 2](#)
20. [Guggenheim EEI Takeaways - Day 3](#)
21. [Utility and IPP 3Q17 Model Sweep](#)
22. [DOE Texas Tango – Will FERC Dance?](#)
23. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
24. [AGA Conference Highlights and Management Meeting Takeaways](#)
25. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
26. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
27. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
28. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
29. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [PCG–Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
2. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
3. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
4. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
5. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
6. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
7. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
8. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
9. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
10. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
11. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
12. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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24. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
27. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
30. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
31. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
32. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
33. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
34. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
35. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
36. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
37. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
38. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
39. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
40. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
41. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
42. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
43. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
44. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)
45. [EIX – Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In](#)
46. [AEP – Upgrading to NEUTRAL on Balancing Risks – Wind Catcher a Nice Have but Now Pure Upside](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 17, 2019

## ANALYST CERTIFICATION

By issuing this research report, each Guggenheim Securities, LLC ("Guggenheim Securities") research analyst whose name appears in this report hereby certifies that (i) all of the views expressed in this report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst.

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## RATINGS EXPLANATION AND GUIDELINES

**BUY (B)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

**NEUTRAL (N)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

**SELL (S)** - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

**NR** - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

**CS** - Coverage Suspended. Guggenheim Securities, LLC has suspended coverage of this company.

**NC** - Not covered. Guggenheim Securities, LLC does not cover this company.

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**Under Review (UR)** - Following the release of significant news from this company, the rating has been temporarily placed under review until sufficient information has been obtained and assessed by the analyst.

Guggenheim Securities, LLC methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

**Equity Valuation and Risks:** For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <https://guggenheimlibrary.bluematrix.com/client/library.jsp>, contact the primary analyst or your Guggenheim Securities, LLC representative, or email [GSResearchDisclosures@guggenheimpartners.com](mailto:GSResearchDisclosures@guggenheimpartners.com).

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## The Guggenheim Daily Transmission: PCG, D, Santee Cooper, NJR, SO, EXC, FE, NY, Policy

**For CA Conference calls, Guggenheim Commissioner event and NDR schedule, please scroll down****What's New?****PCG** – PCG credit ratings cut to Caa3 from Ba3 by Moody's, junked by S&P and Fitch**PCG** – CA Governor Newsom withdraws his support of PCG, demands board changes, legislature follows suit**D** - Largely symbolic challenge to D/SCG merger**Santee Cooper** - Santee Cooper Bids submitted**NJR/SO** – New Jersey appeals PennEast eminent domain decision to Third Circuit**EXC/FE** – Maryland PSC approves 5 year EV pilot program**NY/Policy** – Offshore wind RFP draws projects from across RTOs**PCG – PCG credit ratings cut to Caa3 from Ba3 by Moody's, junked by S&P and Fitch**

- Moody's downgraded PCG credit ratings citing very high likelihood of a bankruptcy.
- The credit agency noted that PCG financial position is declining, while liabilities and collateral postings are increasing.
- Total wildfire exposure may take several years to determine.

**Guggenheim takeaway:** *This does not come as a surprise to us, as PCG was required by CA law to announce intent to file for bankruptcy 15 days ahead of the actual filing, which the company expects to file on January 29. With neither the time, nor political capital left, bankruptcy fears now appear to be being realized and we do not believe the company will have any choice than to go into a lengthy bankruptcy process, while trying to determine the ultimate magnitude of the wildfire liabilities.*

**PCG – CA Governor Newsom withdraws his support of PCG, demands board changes, legislature follows suit**

- Newsom said Monday that there should be changes to the board of directors at PCG, citing that PCG has not been a trusted player in the past.
- Newsom drew a contrast between the current situation and the 2001 PCG bankruptcy in that this time there is no concern about losing power. In his stance on the current situation Newsom said, "customers should not be concerned about turning on their lights."
- Office of Chris Holden, Chair of the CA assembly utilities and energy committee, issued a statement backing away from introducing a new bill to address wildfire liabilities.

**Guggenheim takeaway:** *Governor Newsom previously issued constructive statements on working with the utility and legislators to support the state policy goals on climate change and renewables, but with this statement he has pulled away from PCG specifically. This effectively closes the path for legislative support for 2018 wildfires and any potential reform of wildfire laws (Inverse Condemnation in particular). With the current status quo, we believe a PCG bankruptcy becomes a matter of time, with the only question remaining being the*

Ticker	Price	Rating
PCG	8.38	Neutral
D	67.97	Buy
NJR	44.11	Sell
SO	46.16	Neutral
FE	38.00	Buy
EXC	45.04	Buy

*ultimate magnitude of wildfire liabilities and if there is any equity value left in PCG. The process of determination may take a long time (multi-year timeframe) as the process will need to be taken to a federal level where both civil litigation and IC may be determined.*

#### **D - Largely symbolic challenge to D/SCG merger**

- The SC PSC rejected requests to reconsider the merger plan.
- The Commission rejected requests from intervenors that the PSC exercise additional oversight for the potential expansion of the Atlantic Coast Pipeline into South Carolina.
- The Commission accepted a request to find SCANA acted imprudently after March of 2015.
- See SC PSC news [HERE](#).

**Guggenheim takeaway:** *This was a largely symbolic action by the PSC, (finding SCG imprudent) the fully litigated nuclear cost recovery hearings already noted that SCG acted imprudently after March of 2015. We caught up with D on this and they note there is no change to the deal economics on this news.*

#### **Santee Cooper - Santee Cooper Bids submitted**

- Santee Cooper bids were submitted this week.
- Duke Energy said it submitted a proposal, and the Electric Cooperative of South Carolina said it submitted two proposals.
- NextEra and Dominion declined to comment to the press.
- See Santee Cooper article [HERE](#).

**Guggenheim takeaway:** *The governor of South Carolina continues to push for a sale of the municipal utility but recent press reports note there might not be enough votes in the Senate to do so.*

#### **NJR/SO – New Jersey appeals PennEast eminent domain decision to Third Circuit**

- The state of New Jersey has [reportedly](#) appealed to the Third Circuit Court of Appeals a [decision](#) in December by U.S. District Judge Brian Martinotti allowing the use of eminent domain for the project in the state.
- The company continues to conduct survey work on the pipeline route.

**Guggenheim takeaway:** *PennEast continues to face a legal slog, but we note this appeal is coming after two favorable eminent domain rulings last month in NJ and PA. As a reminder, we model PennEast contributing \$0.11/share to NJR in its first full year of operation. NJR currently expects the project to come online in 2020.*

#### **EXC/FE – Maryland PSC approves 5 year EV pilot program**

- The Maryland utilities of FE and EXC have received [approval](#) to begin the deployment of over 5,000 EV charging stations, in support of a state goal to put 300,000 EVs on the road by 2025.
- “Today’s decision, the Commission noted that it is in the public interest to approve the modified pilot programs, which test a limited EV charging deployment at a reduced cost to lessen exposure by Maryland ratepayers. The utilities noted that their proposed offerings do not place all costs associated with the proposed charging infrastructure on ratepayers” – the MD PSC
- The utilities will be required to submit 6 month progress reports, in addition to reviews.

**Guggenheim takeaway:** *Data point for your awareness. The program does not have a price tag yet, but some [reports](#) have put the cost somewhere near \$20mm. Overall this is minor*

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*for now, but EVs remain a central part of the 'grid mod' conversation so we will remain on the lookout for more potential spend over time as the PSC digests the results of the pilot.*

**NY/Policy – Offshore wind RFP draws projects from across RTOs**

- [Reports](#) indicate that only one of the five potential bidders for NYSERDA's first procurement tranche would be located in waters adjacent to Long Island, with the remainder off NJ and New England.
- NYSERDA officials note that some proposals intend to transmit power through PJM and ISO-NE, while others could interconnect with ConEd or LIPA.
- Formal bids due February 14th.

**Guggenheim takeaway:** *Not particularly surprising, but worth highlighting given our ongoing interest in the details of just where all of this wind is slated to be interconnected. In both the NY and NJ procurements we believe there could be incremental interconnection/integration opportunities for contiguous utilities – but still very much a TBD. Stay tuned...*

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Monday, January 14, 2019

Price as of Close Monday, January 14, 2019										Guggenheim										Consensus																
Regulated Electric Utilities <sup>(1)</sup>										Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
AEP	American Electric Power	36.4	Neutral	\$78	\$73.79	3.7%	\$0.62	493	3.93	4.17	4.44	4.71	4.93	18.8	17.7	16.6	15.7	15.0	3.94	4.12	4.38	4.64	4.92	18.7	17.9	16.8	15.9	15.0								
ALE	ALLETE	3.8	Neutral	\$74	\$73.16	3.5%	\$0.64	51	3.34	3.71	4.01	4.20	4.46	21.9	19.7	18.2	17.4	16.4	3.37	3.62	3.93	4.10	4.46	21.7	20.2	18.6	17.8	16.4								
AVA	Avista*	2.7	Neutral	\$42	\$40.57	4.0%	\$0.71	66	2.05	2.19	2.31	2.38	2.45	19.8	18.5	17.6	17.0	16.6	2.08	2.19	2.28	2.38	2.45	19.5	18.5	17.8	17.0	16.6								
CMS	CMS Energy	14.0	Neutral	\$53	\$49.36	3.3%	\$0.61	283	2.35	2.50	2.69	2.88	3.08	21.0	19.7	18.3	17.1	16.0	2.34	2.50	2.68	2.86	3.07	21.1	19.8	18.4	17.3	16.1								
DUK	Duke Energy	59.6	Buy	\$94	\$83.66	4.7%	\$0.75	713	4.78	5.00	5.26	5.57	5.91	17.5	16.7	15.9	15.0	14.2	4.75	4.97	5.24	5.53	5.83	17.6	16.8	16.0	15.1	14.3								
ED	Consolidated Edison	23.2	Neutral	\$82	\$74.45	4.1%	\$0.66	311	4.25	4.36	4.61	4.79	4.95	17.5	17.1	16.1	15.5	15.0	4.28	4.32	4.54	4.75	4.95	17.4	17.2	16.4	15.7	15.0								
EIX	Edison International*	18.9	Buy	\$69	\$58.15	4.7%	\$0.55	326	4.15	4.57	4.93	5.37	5.70	14.0	12.7	11.8	10.8	10.2	4.15	4.51	4.79	5.00	5.30	14.0	12.9	12.1	11.6	10.9								
ES	Eversource Energy	20.8	Buy	\$72	\$65.58	3.5%	\$0.61	317	3.27	3.51	3.71	3.94	4.17	20.1	18.7	17.7	16.6	15.7	3.28	3.49	3.70	3.91	4.17	20.0	18.8	17.7	16.8	15.73								
ETR	Entergy	15.3	Buy	\$96	\$84.71	4.5%	\$0.67	181	7.02	5.94	5.66	5.92	6.33	12.1	14.3	15.0	14.3	13.4	7.06	5.99	5.81	5.81	6.33	12.0	14.1	14.6	14.6	13.4								
EVRG	Evergy	14.8	Buy	\$63	\$56.04	3.7%	\$0.64	263	2.63	2.93	3.27	3.42	3.58	21.3	19.1	17.1	16.4	15.7	2.56	2.96	3.29	3.42	3.58	21.9	18.9	17.0	16.4	15.7								
FE	FirsEnergy	19.4	Buy	\$46	\$38.00	4.1%	\$0.60	511	2.56	2.57	2.63	2.81	3.02	14.8	14.8	14.4	13.5	12.6	2.54	2.56	2.53	2.66	3.02	15.0	14.9	15.0	14.3	12.6								
LNT	Alliant Energy	9.7	Neutral	\$41	\$41.25	3.6%	\$0.63	236	2.18	2.24	2.37	2.50	2.69	18.9	18.4	17.4	16.5	15.3	2.16	2.25	2.40	2.52	2.68	19.1	18.3	17.2	16.3	15.4								
PCG	PG&E Corporation*	4.3	Neutral	NA	\$8.38	0.0%	\$0.00	519	3.84	4.07	4.39	4.57	4.67	2.2	2.1	1.9	1.8	1.8	3.82	4.02	4.19	4.29	4.21	2.2	2.1	2.0	2.0	2.0								
PNW	Pinnacle West	9.2	Neutral	\$89	\$82.47	3.8%	\$0.63	112	4.49	4.84	5.04	5.25	5.45	18.4	17.0	16.4	15.7	15.1	4.48	4.84	5.04	5.28	5.45	18.4	17.0	16.4	15.6	15.1								
POR	Portland General Electric	4.0	Neutral	\$44	\$44.51	3.6%	\$0.63	89	2.32	2.43	2.54	2.68	2.75	19.2	18.3	17.5	16.6	16.2	2.34	2.44	2.55	2.68	2.75	19.0	18.2	17.5	16.6	16.19								
PPL	PPL Corporation	20.9	Neutral	\$29	\$28.96	6.3%	\$0.70	720	2.36	2.44	2.61	2.74	2.85	12.3	11.9	11.1	10.6	10.2	2.36	2.44	2.55	2.63	2.84	12.3	11.9	11.4	11.0	10.22								
SO	Southern Company	47.5	Neutral	\$44	\$46.16	5.5%	\$0.81	1029	3.07	3.05	3.15	3.31	3.46	15.0	15.1	14.7	13.9	13.3	3.04	3.02	3.12	3.25	3.46	15.2	15.3	14.8	14.2	13.34								
WEC	WEC Energy	21.6	Buy	\$76	\$68.61	3.6%	\$0.67	316	3.32	3.50	3.73	3.98	4.26	20.7	19.6	18.4	17.2	16.1	3.33	3.51	3.74	3.96	4.23	20.6	19.6	18.4	17.3	16.22								
*Average (Excl. EIX, PCG, PPL for P/E)																																				
Regulated Gas Utilities <sup>(2)</sup>										Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
NI	NiSource	9.6	Buy	\$29	\$25.92	3.1%	58%	372	1.28	1.38	1.48	1.58	1.68	20.3	18.8	17.5	16.4	15.4	1.28	1.34	1.44	1.56	1.68	20.3	19.3	18.0	16.7	15.4								
NJR	New Jersey Resources	3.9	Sell	\$39	\$44.11	2.7%	60%	89	2.74	2.01	2.19	2.36	2.54	16.1	21.9	20.1	18.7	17.4	2.74	2.01	2.16	2.33	2.54	16.1	21.9	20.4	18.9	17.4								
NWN	NW Natural Gas	1.7	Sell	\$49	\$57.85	3.3%	77%	29	2.17	2.44	2.60	2.66	2.71	26.7	23.7	22.3	21.7	21.3	2.23	2.46	2.58	2.64	2.71	26.0	23.5	22.4	22.0	21.3								
SR	Spire	3.8	Neutral	\$77	\$73.98	3.3%	65%	51	3.74	3.75	3.92	4.06	4.30	19.8	19.7	18.9	18.2	17.2	3.72	3.71	3.87	3.98	4.30	19.9	19.9	19.1	18.6	17.2								
VVC	Vectren*	6.0	Neutral	\$72	\$72.00	2.7%	63%	83	2.89	3.09	3.27	3.47	3.71	24.9	23.3	22.0	20.7	19.4	2.88	3.05	3.28	3.47	3.71	25.0	23.6	22.0	20.7	19.4								
*Average (Excl. VVC)																																				
Integrated Utilities <sup>(3)</sup>										Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
EXC	Exelon	43.6	Buy	\$53	\$45.04	3.2%	46%	967	3.09	3.16	3.25	3.17	3.21	14.6	14.3	13.9	14.2	14.0	3.12	3.16	3.19	3.15	3.23	14.4	14.2	14.1	14.3	13.9								
PEG	PSEG	26.7	Buy	\$59	\$50.75	3.7%	58%	505	3.13	3.28	3.49	3.60	3.83	16.2	15.5	14.5	14.1	13.3	3.11	3.27	3.55	3.67	3.82	16.3	15.5	14.3	13.8	13.3								
Average																																				
Independent Power Producers (IPPs) <sup>(4)</sup>										Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
NRG	NRG Energy	11.5	Buy	\$51	\$39.67	0.3%	0%	290	2.373	1.975	1.858	1.900	1.900	8.6	9.2	9.4	8.9	8.9	1.770	2.022	1.841	1.850	1.936	9.6	8.3	8.8	9.0	NA								
VST	Vistra Energy	11.9	Buy	\$37	\$23.55	2.1%	0%	504	2.800	3.307	3.355	3.402	3.402	8.0	6.9	6.7	6.4	6.2	2.753	3.326	3.227	3.210	3.654	7.9	6.4	6.2	5.8	NA								
Average																																				
Multi-Industry Utilities <sup>(5)</sup>										Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
CNP	CenterPoint	14.6	Buy	\$33	\$29.20	4.0%	68%	501	1.58	1.72	1.82	1.92	2.02	18.5	17.0	16.0	15.2	14.5	1.58	1.69	1.82	1.94	2.02	18.5	17.2	16.1	15.1	14.5								
D	Dominion	52.5	Buy	\$82	\$67.97	5.4%	86%	752	4.02	4.27	4.49	4.76	5.18	16.9	15.9	15.1	14.3	13.1	4.07	4.26	4.46	4.67	4.98	16.7	16.0	15.2	14.6	13.6								
DTE	DTE Energy	20.0	Buy	\$129	\$109.95	3.4%	60%	182	6.40	6.32	6.84	7.34	7.70	17.2	17.4	16.1	15.0	14.3	6.31	6.23	6.58	7.04	7.43	17.4	17.6	16.7	15.6	14.8								
NEE	NexEra	81.8	Buy	\$205	\$171.23	2.9%	58%	478	7.83	8.63	9.19	9.91	10.52	21.9	19.8	18.6	17.3	16.3	7.74	8.40	9.05	9.79	10.59	22.1	20.4	18.9	17.5	16.2								
OGE	OGE Energy	7.9	Neutral	\$41	\$39.32	3.8%	70%	200	2.06	2.14	2.30	2.41	2.51	19.1	18.4	17.1	16.3	15.7	2.07	2.14	2.31	2.41	2.51	19.0	18.4	17.0	16.3	15.7								
SRE	Sempra Energy	30.6	Buy	\$133	\$111.76	3.5%	64%	274	5.47	6.13	7.29	7.60	7.96	20.4	18.2	15.3	14.7	14.0	5.46	6.07	7.23	7.58	7.88	20.5	18.4	15.5	14.7	14.2								
Average																																				
Other										Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E)		Diluted Shares	Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
AWK	American Water Works	16.3	Neutral	\$96	\$90.43	2.1%	54%	181	3.30	3.61	3.96	4.27	4.60	27.4	25.0	22.8	21.2	0.0	3.30	3.58	3.88	4.24	4.59	27.4	25.3	23.3	21.3	19.7								

**Note: We are currently restricted on SJI due to the firm's investment banking activities**

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

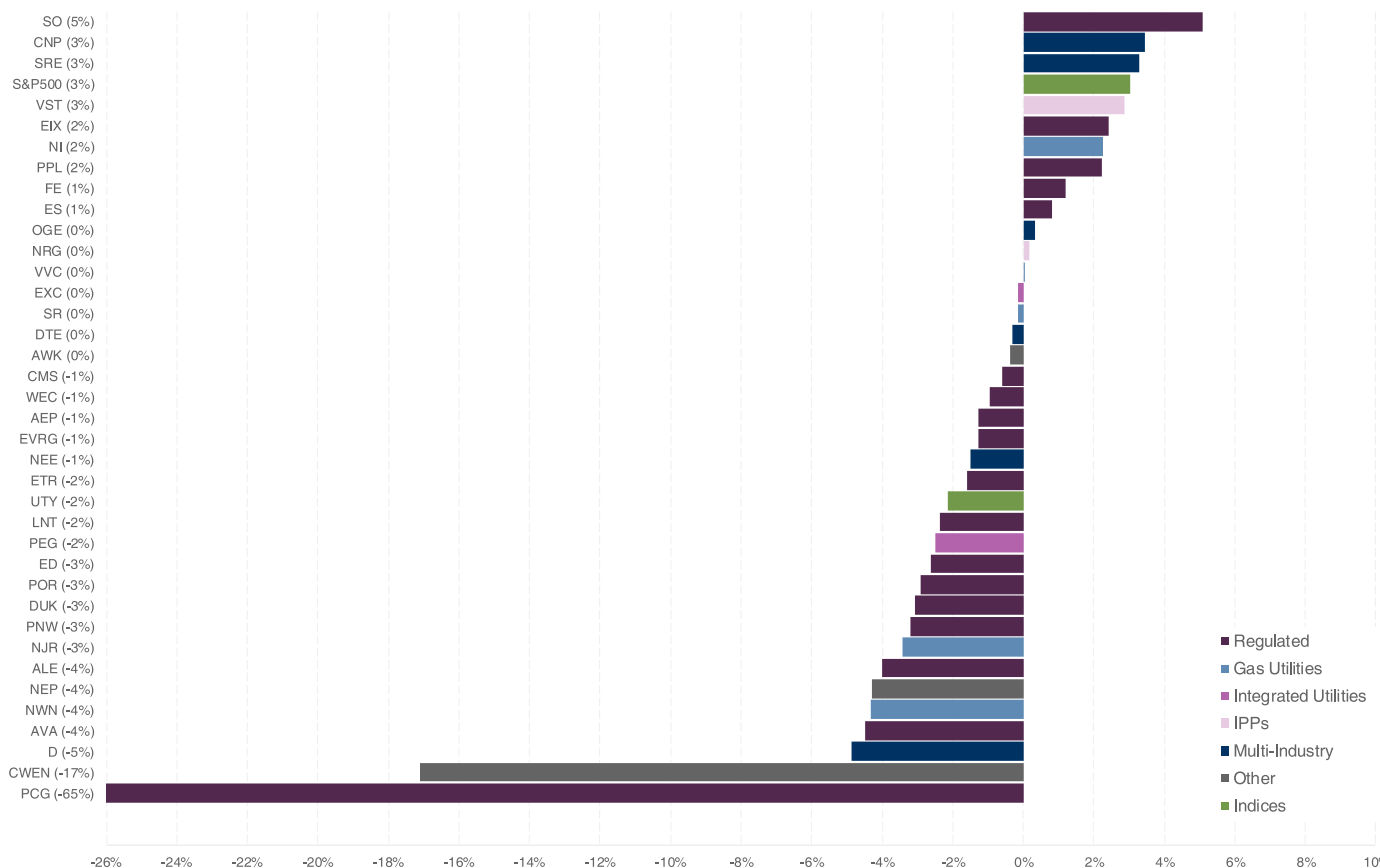
(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

POWER, UTILITIES & ALTERNATIVE ENERGY

January 15, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
  - (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
  - (3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.
  - (4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
  - (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).
- Source:** Bloomberg, Guggenheim Securities, LLC estimates.

## Guggenheim CA Policy Speaker Series - Part 1

GUGGENHEIMGUGGENHEIM



### Guggenheim Policy Series

Equity Research | Corporate Access

## CA Policy Speaker Series: Guggenheim-Hosted Legislative Perspectives Conference Call with Tim Simon, 2007-2012 Commissioner, CPUC

### Date and Time

Wednesday, January 16, 2019  
1:00pm – 2:00pm ET

### Dial-in

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for  
Conference Call Password**

### Speaker Bio

**Timothy Alan Simon** is currently an independent consultant at TAS Strategies where he works based in San Francisco, CA. From 2007 to 2012, he was a Commissioner for the California Public Utilities Commission (CPUC).

### Participating Guggenheim Analysts

**Shar Pourreza**, *Managing Director – Power, Utilities & Alternative Energy*

### Links to Recent Reports on Subject Companies

PCG – [1/11/19 report](#)

2019 Utility Outlook – [1/7/19 report](#)

## Guggenheim CA Policy Speaker Series - Part 2

GUGGENHEIM GUGGENHEIM



## Guggenheim Policy Series

Equity Research | Corporate Access

### CA Policy Speaker Series:

Guggenheim-Hosted Legislative Perspectives Conference Call with Mike Gatto, Former Assemblyman and Chair of the Utilities & Commerce Committee in the California State Legislature – 4 Terms

### Date and Time

Friday, January 18, 2019  
1:00pm – 2:00pm ET

### Dial-in

Dial-in: 1.866.638.3013

**Password: Please contact your Guggenheim Sales Representative for Conference Call Password**

### Topics:

- Insight into new government officials, leadership, local politics and other interested key parties
- Legislative timelines, process, path forward and readthrough with potential CalFire findings
- Bailout/state assistance perspective
- Inverse Condemnation outlook
- Powers of CPUC vs. Legislatures
- Discussion of 2018 “gap” year
- Thoughts on potential PG&E bankruptcy, ramifications and key datapoints and groups to watch
- General thoughts around the CPUC
- *And more to be discussed...*

### Speaker Bio

**Mike Gatto** is currently a Partner/Owner with Actium LLP, a Los-Angeles based law firm he founded in December 2016. Prior to this, Mike served as an Assemblyman in the California State Legislature for four terms, from June 2010 until December 2016.

### Participating Guggenheim Analysts

**Shar Pourreza**, *Managing Director – Power, Utilities & Alternative Energy*

## Guggenheim-Hosted Commissioner Roundtable





### Guggenheim Policy Series

Equity Research | Corporate Access

## SAVE THE DATE: Guggenheim Hosted Commissioner Roundtable Event

**Date & Time**  
Wednesday, January 23, 2019  
10:00am – 11:30am ET

**Location**  
Guggenheim Securities  
330 Madison Ave.  
32nd Floor  
New York, NY 10017

**Commissioner Participants**  
*\*Below Commissioners are confirmed, more will be added over the next two weeks*  
**Jay Balasbas**, Commissioner, Washington Utilities and Transportation Commission  
**Tricia Pridemore**, Commissioner, Georgia Public Service Commission  
**Maida Coleman**, Commissioner, Missouri Public Service Commission

**Hosting Analyst**  
**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 15, 2019

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	PEG	6/24-6/25	Midwest
FE	1/22-1/23	Boston/NYC	AWK	7/9-7/10	Midwest
D	2/25-2/26	Boston/NYC			
WEC	2/27-2/28	West Coast			
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			
ALE	4/2-4/4	TBD			
DUK	6/6-6/7	Midwest			

**MORE TO BE ADDED...**

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
2. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
3. [Guggenheim's 2018 EEI Summary](#)
4. [Guggenheim EEI Takeaways - Day 3](#)
5. [Guggenheim EEI Takeaways - Day 2](#)
6. [Guggenheim EEI Takeaways - Day 1](#)
7. [Guggenheim EEI - Investor Question Bank](#)
8. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
9. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
10. [Coal/Nuclear: Will Politics "Trump" Reality](#)
11. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
12. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
13. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
14. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
15. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
16. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
17. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
18. [Guggenheim EEI Takeaways - Day 1](#)
19. [Guggenheim EEI Takeaways - Day 2](#)
20. [Guggenheim EEI Takeaways - Day 3](#)
21. [Utility and IPP 3Q17 Model Sweep](#)
22. [DOE Texas Tango – Will FERC Dance?](#)
23. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
24. [AGA Conference Highlights and Management Meeting Takeaways](#)
25. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
26. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
27. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
28. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
29. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [PCG–Sink or Swim in '19? We Think Swim But Too Close to Call; Assessing Immediate Cash Flows/Going Concern Factors](#)
2. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
3. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
4. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
5. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
6. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
7. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
8. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
9. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
10. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
11. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
12. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
13. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
14. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
15. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
16. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
17. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
18. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
19. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
20. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
21. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
22. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
23. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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24. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
25. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)
26. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
27. [PCG– "Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
28. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
29. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
30. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
31. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
32. [D – Southern Charming on Madison Avenue... Any Bargain Shoppers?](#)
33. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
34. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
35. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
36. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
37. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
38. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
39. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
40. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
41. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
42. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
43. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
44. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)
45. [EIX – Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In](#)
46. [AEP – Upgrading to NEUTRAL on Balancing Risks – Wind Catcher a Nice Have but Now Pure Upside](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
BUY	211	57.03%	23	10.90%
NEUTRAL	153	41.35%	6	3.92%
SELL	6	1.62%	0	0.00%

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## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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Boston	617.859.4626	Chicago	312.357.0778



14 Jan 2019 00:09:46 ET | 9 pages

Diversified Utilities  
North America | United States

## Exelon Corp (EXC)

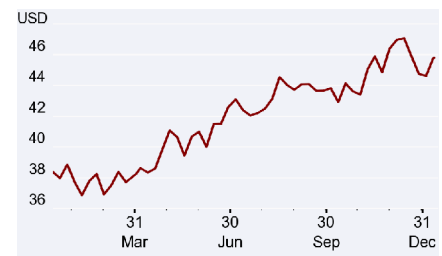
### Model Update

- We have updated our Q4 and 2018 estimates to reflect operational challenges at ExGen including un-planned outage at the Mystic power plant. We also increase the consolidated effective tax rate to 22% from 21% to capture state and other taxes. Our updated consolidated operational estimates are \$3.12/share, \$3.15/share and \$3.33/share for 2018, 2019 and 2020, respectively. Our target price increases from \$45 to \$46.

- Estimate Change
- Target Price Change

<b>Neutral</b>	<b>2</b>
Price (11 Jan 19 16:00)	US\$45.79
Target price	US\$46.00
<i>from US\$45.00</i>	
Expected share price return	0.5%
Expected dividend yield	3.1%
<b>Expected total return</b>	<b>3.6%</b>
Market Cap	US\$44,279M

### Price Performance (RIC: EXC.N, BB: EXC US)



EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons
<b>2017A</b>	0.65A	0.54A	0.85A	0.56A	2.61A	2.60A
<b>2018E</b>	<b>0.96A</b>	<b>0.71A</b>	<b>0.88A</b>	<b>0.60E</b>	<b>3.12E</b>	<b>3.12E</b>
Previous	0.96A	0.71A	0.86E	0.58E	3.09E	na
<b>2019E</b>	<b>0.87E</b>	<b>0.65E</b>	<b>na</b>	<b>na</b>	<b>3.15E</b>	<b>3.16E</b>
Previous	0.86E	0.64E	na	na	3.12E	na
<b>2020E</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>3.33E</b>	<b>3.18E</b>
Previous	na	na	na	na	3.17E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

**Praful Mehta** <sup>AC</sup>  
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### See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Exelon Corp (EXC)  
13 January 2019

Citi Research

EXC.N: Fiscal year end 31-Dec						Price: US\$45.79; TP: US\$46.00; Market Cap: US\$44,279m; Recomm: Neutral					
Profit & Loss (US\$m)	2016	2017	2018E	2019E	2020E	Valuation ratios	2016	2017	2018E	2019E	2020E
Sales revenue	31,360	33,531	33,076	27,792	27,951	PE (x)	17.1	17.5	14.7	14.6	13.8
Cost of sales	-12,640	-14,035	-14,081	-8,769	-8,552	PB (x)	1.6	1.5	1.4	1.3	1.3
Gross profit	18,720	19,496	18,995	19,023	19,398	EV/EBITDA (x)	9.3	10.1	10.4	9.5	9.0
Gross Margin (%)	59.7	58.1	57.4	68.4	69.4	FCF yield (%)	-0.2	-0.2	2.1	3.2	3.7
<b>EBITDA (Adj)</b>	<b>8,357</b>	<b>8,514</b>	<b>8,252</b>	<b>9,098</b>	<b>9,527</b>	Dividend yield (%)	2.8	2.9	3.0	3.1	3.3
EBITDA Margin (Adj) (%)	26.6	25.4	24.9	32.7	34.1	Payout ratio (%)	47	50	44	46	45
Depreciation	-3,936	-3,828	-4,094	-3,860	-4,064	ROE (%)	4.4	13.5	7.9	9.5	9.6
Amortisation	0	0	0	0	0	<b>Cashflow (US\$m)</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
<b>EBIT (Adj)</b>	<b>3,112</b>	<b>4,260</b>	<b>4,216</b>	<b>5,239</b>	<b>5,464</b>	EBITDA	7,096	7,646	8,252	9,098	9,527
EBIT Margin (Adj) (%)	9.9	12.7	12.7	18.8	19.5	Working capital	-481	-1,815	-802	-184	-184
Net interest	-1,536	-1,560	-1,597	-1,682	-1,680	Other	1,854	1,682	905	-583	-630
Associates	0	0	2	0	0	<b>Operating cashflow</b>	<b>8,469</b>	<b>7,513</b>	<b>8,356</b>	<b>8,331</b>	<b>8,713</b>
Non-Op/Except/Other Adj	413	1,056	303	208	235	Capex	-8,553	-7,584	-7,416	-6,925	-7,050
<b>Pre-tax profit</b>	<b>1,989</b>	<b>3,756</b>	<b>2,923</b>	<b>3,765</b>	<b>4,018</b>	Net acq/disposals	-6,755	-257	-141	0	0
Tax	-761	125	-373	-721	-790	Other	-195	-93	29	0	0
Extraord./Min.Int./Pref.div.	-94	-111	-143	0	0	<b>Investing cashflow</b>	<b>-15,503</b>	<b>-7,934</b>	<b>-7,528</b>	<b>-6,925</b>	<b>-7,050</b>
<b>Reported net profit</b>	<b>1,134</b>	<b>3,770</b>	<b>2,407</b>	<b>3,044</b>	<b>3,228</b>	Dividends paid	-1,356	-1,236	-1,337	-1,396	-1,465
Net Margin (%)	3.6	11.2	7.3	11.0	11.5	<b>Financing cashflow</b>	<b>1,191</b>	<b>717</b>	<b>-1,232</b>	<b>-1,406</b>	<b>-1,663</b>
Core NPAT	2,488	2,471	3,016	3,048	3,232	<b>Net change in cash</b>	<b>-5,843</b>	<b>296</b>	<b>-404</b>	<b>0</b>	<b>0</b>
<b>Per share data</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>Free cashflow to s/holders</b>	<b>-84</b>	<b>-71</b>	<b>940</b>	<b>1,406</b>	<b>1,663</b>
Reported EPS (\$)	1.22	3.98	2.49	3.14	3.33						
Core EPS (\$)	2.68	2.61	3.12	3.15	3.33						
DPS (\$)	1.26	1.31	1.38	1.44	1.51						
CFPS (\$)	9.14	7.93	8.65	8.60	8.98						
FCFPS (\$)	-0.09	-0.07	0.97	1.45	1.71						
BVPS (\$)	27.96	31.53	32.48	34.11	35.86						
Wtd avg ord shares (m)	924	947	962	965	967						
Wtd avg diluted shares (m)	927	947	966	969	971						
<b>Growth rates</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>						
Sales revenue (%)	6.5	6.9	-1.4	-16.0	0.6						
EBIT (Adj) (%)	-29.4	36.9	-1.0	24.3	4.3						
Core NPAT (%)	11.7	-0.7	22.1	1.1	6.0						
Core EPS (%)	7.6	-2.8	19.6	0.8	5.8						
<b>Balance Sheet (US\$m)</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>						
Cash & cash equiv.	635	898	500	500	500						
Accounts receivables	5,359	5,533	5,485	5,485	5,485						
Inventory	1,638	1,651	1,665	1,665	1,665						
Net fixed & other tangibles	84,648	89,191	91,103	93,265	95,422						
Goodwill & intangibles	16,723	14,698	14,679	14,679	14,679						
Financial & other assets	5,901	4,729	5,392	5,423	5,429						
<b>Total assets</b>	<b>114,904</b>	<b>116,700</b>	<b>118,824</b>	<b>121,017</b>	<b>123,180</b>						
Accounts payable	3,441	3,532	3,348	3,348	3,348						
Short-term debt	3,697	3,017	1,605	1,605	1,605						
Long-term debt	32,216	32,565	33,950	33,940	33,741						
Provisions & other liab	47,938	45,454	46,294	46,849	47,447						
<b>Total liabilities</b>	<b>87,292</b>	<b>84,568</b>	<b>85,197</b>	<b>85,742</b>	<b>86,142</b>						
Shareholders' equity	25,837	29,857	31,259	32,907	34,670						
Minority interests	1,775	2,275	2,368	2,368	2,368						
<b>Total equity</b>	<b>27,612</b>	<b>32,132</b>	<b>33,627</b>	<b>35,275</b>	<b>37,038</b>						
<b>Net debt (Adj)</b>	<b>35,278</b>	<b>34,684</b>	<b>35,055</b>	<b>35,045</b>	<b>34,846</b>						
Net debt to equity (Adj) (%)	127.8	107.9	104.2	99.3	94.1						

For definitions of the items in this table, please click [here](#).

## Exelon Corp

### Company description

Exelon Corp (EXC) is an integrated electric and gas utility that operates six utilities in Pennsylvania, Illinois, New Jersey, DC, Delaware, and Maryland and the largest deregulated nuclear fleet in the United States. Exelon's regulated businesses consist of Atlantic City Electric, BGE, ComEd, Delmarva Power, PECO, and Pepco. Exelon Generation operates the largest nuclear fleet in the United States, with plants concentrated in the Midwest and the Mid-Atlantic regions.

### Investment strategy

We rate the shares of Exelon Corp Neutral (2).

Our rating is partly based on the IL, NY, and NJ ZECs as they provide significant financial support for nuclear plants and that will further improve EXC's financial strength and valuation. We like this regulated utility's robust growth profile of 6-8% through 2020E.

### Valuation

We value EXC using a sum-of-the-parts approach to get to our \$46 price target. We value ExGen at ~\$8/share. Our valuation is based on a 5.5x 2021E EBITDA multiple and WACC of 8.0%. The legacy utility business is valued at \$28/share based on a 19x terminal PE multiple. We also add \$8/share value provided by PEPSCO. We back out ~\$4/share for the parent net debt and add ~\$4/share for ZECs and ~\$3/share for PJM Price formation to get to our rounded PT of \$46/share.

### Risks

Commodity price risk affecting merchant generation – If natural gas prices rise, wholesale power prices will likely rise, raising commodity margins.

Exelon is inherently a long natural gas position since natural gas generation sets the price of power in its key generation markets. If forward natural gas prices rise significantly from current prices, Exelon's earnings will likely exceed our forecasts.

Regulatory risk – All regulated utilities are subject to state and federal regulatory agencies that can materially affect shareholder returns. Failure to obtain fair recovery for capital expenditures or increases in operating costs can diminish returns to shareholders and adversely affect the share price.

Credit rating – Exelon's generation business is currently two notches above a high yield credit rating, but declining cash flows at the merchant business presents some risk of a possible credit rating downgrade barring deleveraging through an equity issuance, asset sale, or other means. If ExGen's credit rating is lowered to high yield status, ExGen would likely have to increase their collateral and it could pressure hedging activities going forward, which would reduce our earnings outlook.

If the risks get rejected after further legal challenge then the stock has downside as some value of ZEC is already in the stock price

If the impact on the company from any of these factors proves to be more negative/positive than we anticipate, the stock will likely have difficulty achieving our financial and price targets.

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## Appendix A-1

### Analyst Certification

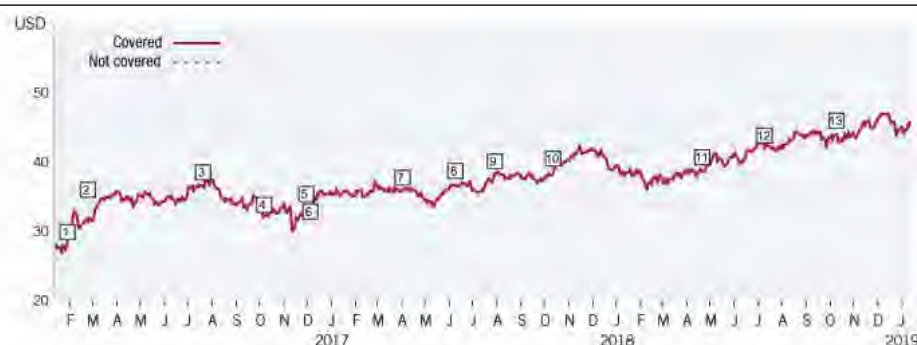
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#### Exelon Corp (EXC)

#### Ratings and Target Price History Fundamental Research

Analyst: Praful Mehta



Date	Rating	Target Price	Closing Price	Date	Rating	Target Price	Closing Price	Date	Rating	Target Price	Closing Price
1 26-Jan-16 17:07:46	*2	27.00	27.84	6 02-Dec-16 07:02:27	*2	*31.00	33.01	11 20-Apr-18 14:25:00	1	*44.00	38.60
2 22-Feb-16 16:00:00	*3	27.00	31.69	7 30-Mar-17 06:59:06	2	*35.00	35.70	12 09-Jul-18 05:00:00	1	*45.00	41.85
3 19-Jul-16 23:43:46	3	*29.00	36.58	8 07-Jun-17 06:52:17	2	*36.00	36.61	13 08-Oct-18 19:24:30	*2	45.00	44.01
4 04-Oct-16 03:14:34	3	*27.00	31.86	9 27-Jul-17 07:37:04	*1	*43.00	37.99				
5 28-Nov-16 20:37:44	3	*29.00	33.39	10 11-Oct-17 09:15:08	1	*45.00	38.46				

\*Indicates Change

Rating/target price changes above reflect Eastern Time

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13 January 2019

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**Exelon Corp. (EXC)**

## Previewing what EXC's little discussed Annova LNG project could mean

S&amp;P

EXC	12m Price Target: <b>\$43.00</b>	Price: <b>\$45.79</b>	Downside: <b>6.1%</b>
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**PM Summary: Potential LT FCF and earnings upside for EXC at its Annova LNG site**

**We see development of US liquefied natural gas (LNG) export facilities continuing in the coming years, and highlight the potential value of EXC developing its Annova LNG site.** EXC owns a majority stake (originally purchasing a 96% stake) in the Annova LNG site, located in Brownsville Texas. The facility still requires an environmental impact statement (EIS) approval - and likely requires financing arrangements and customer agreements before EXC provide a final investment decision. As a result, the project remains infrequently discussed by EXC.

**We acknowledge EXC has not provided a final investment decision (FID) for Annova, and EXC may choose to abandon the project.** We do not include Annova LNG in our estimates as EXC expects the project does not begin commercial operations until 2024+. However, we note incremental progress for the Annova LNG project could provide earnings and FCF tailwinds for EXC. We note that while EXC has selected EPC contractors (Black & Veatch and Kiewit Energy Group) for the project, it has not announced any sale-and-purchase agreements (SPAs) and rarely discusses the project as part of its core business strategy. EXC's EPC contractors made equity investments in the project, but their interest remains undisclosed.

**Assuming EXC maintains a 96% stake in the completed project, our analysis implies:**

- **Annova could increase EBITDA by \$520mn-\$750mn/year (equivalent to 6%-8% of 2020E EBITDA)...** Our mid-point scenario - in which EXC earns \$110mn/MTPA of EBITDA, and

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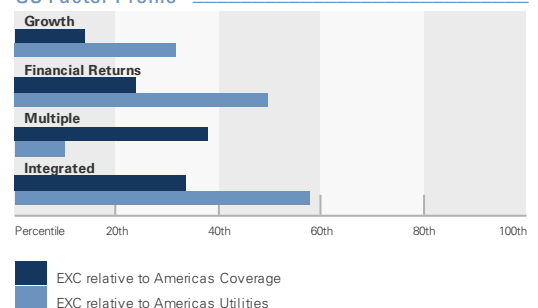
Market cap: \$44.4bn  
Enterprise value: \$81.7bn  
3m ADTV: \$268.9mn  
United States  
America-Diversified Utilities: Neutral  
M&A Rank: 3

**GS Forecast**

	12/17	12/18E	12/19E	12/20E
Revenue (\$ mn)	33,530.0	33,640.2	26,789.4	26,548.9
EBITDA (\$ mn)	7,639.0	8,440.3	8,985.1	9,002.5
EBIT (\$ mn)	3,811.0	4,163.3	5,028.5	5,274.5
EPS (\$)	2.60	3.08	3.21	3.26
P/E (X)	14.3	14.9	14.3	14.1
EV/EBITDA (X)	9.4	9.7	9.1	9.0
FCF yield (%)	(0.3)	2.8	4.7	4.4
Dividend yield (%)	3.5	3.0	3.2	3.3
Net debt/EBITDA (X)	4.5	4.1	3.8	3.8

	9/18	12/18E	3/19E	6/19E
EPS (\$)	0.88	0.54	1.00	0.77

**GS Factor Profile**

Source: Company data, Goldman Sachs Research estimates.  
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Sell

## Exelon Corp. (EXC)

Rating since Jan 3, 2019

## Ratios &amp; Valuation

	12/17	12/18E	12/19E	12/20E
P/E (X)	14.3	14.9	14.3	14.1
EV/EBITDA (X)	9.4	9.7	9.1	9.0
EV/sales (X)	2.1	2.4	3.0	3.1
FCF yield (%)	(0.3)	2.8	4.7	4.4
EV/DACF (X)	6.9	7.8	8.0	8.0
CROCI (%)	10.2	9.7	8.9	8.4
ROE (%)	13.5	7.4	8.9	9.4
Net debt/EBITDA (X)	4.5	4.1	3.8	3.8
Net debt/equity (%)	107.0	104.2	98.1	92.8
Interest cover (X)	2.4	2.8	3.6	3.9
Inventory days	42.8	42.9	82.6	83.6
Receivable days	59.3	59.8	74.7	75.4
Days payable outstanding	90.7	89.0	166.1	168.1

## Growth &amp; Margins (%)

	12/17	12/18E	12/19E	12/20E
Total revenue growth	6.9	0.3	(20.4)	(0.9)
EBITDA growth	7.7	10.5	6.5	0.2
EPS growth	(3.1)	18.4	4.1	1.5
DPS growth	3.6	5.3	5.0	5.0
Gross margin	58.1	58.1	72.5	72.6
EBIT margin	11.4	12.4	18.8	19.9

## Price Performance



## Income Statement (\$ mn)

	12/17	12/18E	12/19E	12/20E
Total revenue	33,530.0	33,640.2	26,789.4	26,548.9
Cost of goods sold	(14,035.0)	(14,100.3)	(7,356.1)	(7,270.4)
SG&A	(10,126.0)	(9,380.6)	(8,818.1)	(8,610.7)
R&D	0.0	0.0	0.0	0.0
Other operating inc./exp.)	(1,730.0)	(1,718.9)	(1,630.1)	(1,665.2)
<b>EBITDA</b>	<b>7,639.0</b>	<b>8,440.3</b>	<b>8,985.1</b>	<b>9,002.5</b>
Depreciation & amortization	(3,828.0)	(4,277.0)	(3,956.6)	(3,728.1)
<b>EBIT</b>	<b>3,811.0</b>	<b>4,163.3</b>	<b>5,028.5</b>	<b>5,274.5</b>
Net interest inc./exp.)	(1,560.0)	(1,501.0)	(1,411.0)	(1,364.0)
Income/(loss) from associates	(32.0)	(22.0)	—	—
<b>Pre-tax profit</b>	<b>3,725.0</b>	<b>2,830.6</b>	<b>3,864.2</b>	<b>4,157.9</b>
Provision for taxes	124.0	(403.6)	(884.3)	(951.3)
Minority interest	(79.0)	(165.9)	(130.3)	(49.2)
Preferred dividends	0.0	0.0	0.0	—
<b>Net inc. (pre-exceptionals)</b>	<b>3,770.0</b>	<b>2,261.1</b>	<b>2,849.6</b>	<b>3,157.4</b>
<b>Net inc. (post-exceptionals)</b>	<b>2,471.0</b>	<b>2,985.6</b>	<b>3,107.0</b>	<b>3,157.4</b>
<b>EPS (basic, pre-exception)</b>	<b>3.98</b>	<b>2.34</b>	<b>2.94</b>	<b>3.26</b>
<b>EPS (diluted, pre-exception)</b>	<b>3.97</b>	<b>2.33</b>	<b>2.94</b>	<b>3.26</b>
<b>EPS (ex-ESO exp., dil.) (\$)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
DPS (\$)	1.31	1.38	1.45	1.52
Div. payout ratio (%)	32.9	59.0	49.2	46.7
Wtd avg shares out. (basic) (mn)	947.0	967.3	967.8	968.9
Wtd avg shares out. (diluted) (mn)	949.5	968.8	968.8	969.9

## Balance Sheet (\$ mn)

	12/17	12/18E	12/19E	12/20E
Cash & cash equivalents	1,188.9	867.4	168.7	98.3
Accounts receivable	5,533.0	5,485.0	5,485.0	5,485.0
Inventory	1,651.0	1,665.0	1,665.0	1,665.0
Other current assets	3,461.1	4,405.0	4,405.0	4,405.0
<b>Total current assets</b>	<b>11,834.0</b>	<b>12,422.4</b>	<b>11,723.7</b>	<b>11,653.3</b>
Net PP&E	74,202.0	76,718.8	79,266.6	82,271.4
Net intangibles	6,677.0	6,677.0	6,677.0	6,677.0
Total investments	640.0	649.0	649.0	649.0
Other long-term assets	23,347.0	22,472.0	21,548.0	20,624.0
<b>Total assets</b>	<b>116,700.0</b>	<b>118,939.2</b>	<b>119,864.3</b>	<b>121,874.7</b>
Accounts payable	3,532.0	3,348.0	3,348.0	3,348.0
Short-term debt	3,017.0	1,605.0	1,605.0	1,605.0
Other current liabilities	4,247.0	5,187.0	5,187.0	5,187.0
<b>Total current liabilities</b>	<b>10,796.0</b>	<b>10,140.0</b>	<b>10,140.0</b>	<b>10,140.0</b>
Long-term debt	32,565.0	34,194.0	33,034.0	32,744.0
Other long-term liabilities	41,207.0	41,089.9	41,549.4	42,069.4
<b>Total long-term liabilities</b>	<b>73,772.0</b>	<b>75,283.9</b>	<b>74,583.4</b>	<b>74,813.4</b>
<b>Total liabilities</b>	<b>84,568.0</b>	<b>85,423.9</b>	<b>84,723.4</b>	<b>84,953.4</b>
Preferred shares	0.0	0.0	0.0	--
<b>Total common equity</b>	<b>29,857.0</b>	<b>31,102.4</b>	<b>32,597.6</b>	<b>34,328.8</b>
<b>Minority interest</b>	<b>2,275.0</b>	<b>2,412.9</b>	<b>2,543.3</b>	<b>2,592.5</b>
<b>Total liabilities &amp; equity</b>	<b>116,700.0</b>	<b>118,939.2</b>	<b>119,864.3</b>	<b>121,874.7</b>
BVPS (\$)	30.94	32.15	33.66	35.41

## Cash Flow (\$ mn)

	12/17	12/18E	12/19E	12/20E
Net income	3,849.0	2,428.0	2,979.9	3,206.6
D&A add-back	5,427.0	5,902.2	5,512.6	5,252.2
Minority interest add-back	0.0	0.0	—	—
Net (inc)/dec working capital	(1,390.0)	(394.0)	—	—
Others	(394.0)	855.9	639.6	700.0
<b>Cash flow from operations</b>	<b>7,492.0</b>	<b>8,792.1</b>	<b>9,132.1</b>	<b>9,158.8</b>
Capital expenditures	(7,584.0)	(7,556.0)	(7,028.4)	(7,225.0)
Acquisitions	(208.0)	(57.0)	—	—
Divestitures	219.0	90.0	—	—
Others	(373.0)	(217.0)	(288.0)	(288.0)
<b>Cash flow from investing</b>	<b>(7,946.0)</b>	<b>(7,740.0)</b>	<b>(7,316.4)</b>	<b>(7,513.0)</b>
Dividends paid	(1,236.0)	(1,332.7)	(1,402.4)	(1,474.2)
Share issuance/(repurchase)	1,150.0	—	—	—
Inc/(dec) in debt	390.0	376.0	(1,160.0)	(290.0)
Others	703.9	(416.9)	48.0	48.0
<b>Cash flow from financing</b>	<b>1,007.9</b>	<b>(1,373.6)</b>	<b>(2,514.4)</b>	<b>(1,716.2)</b>
<b>Total cash flow</b>	<b>553.9</b>	<b>(321.5)</b>	<b>(698.8)</b>	<b>(70.4)</b>
Free cash flow	(92.0)	1,236.1	2,103.6	1,933.8
Free cash flow per share (\$)	(0.10)	1.28	2.17	2.00

Source: Company data, Goldman Sachs Research estimates.

construction costs \$500mn/MTPA - implies \$630mn/year of incremental EBITDA (or 7% of our 2020E EBITDA, the out year date of our model).

- **...and FCF by \$425mn-\$6650mn/year (27%-40% of our 2020E) and FCF/share by \$0.36-\$0.62 (21%-37% of our 2020E)...** Our mid-point scenario implies \$545mn of incremental FCF and \$0.49 of incremental FCF/share - roughly 33%/29% increases relative to our 2020 estimates.
- **...and we view the project warranting further investor/management discussion in the next 12-18 months,** particularly given company guidance for clarity on FERC approval in 3Q19.

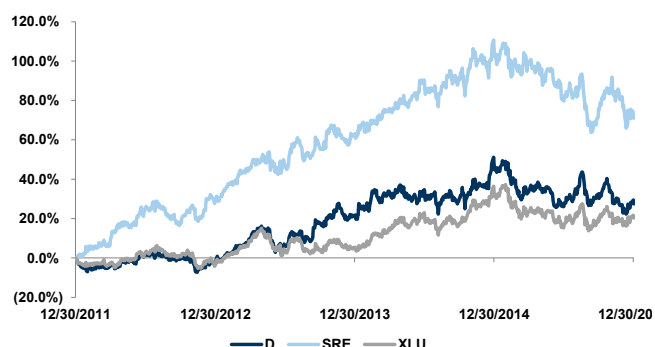
While we highlight the impact of EXC owning a 96% stake in the project, we note other possibilities exist, and expect the financial impact to scale directly with EXC's ownership stake.

**We recently downgraded EXC to Sell in our 2019 outlook given relative valuation on our sum-of-the-parts analysis.** While EXC continues to appear cheap on a 2020E P/E basis relative to peers (14.1x versus 16.0x), we note EXC does not trade purely on P/E. EXC's merchant business warrants a discount relative to pure-play IPPs, partially given higher maintenance capital spending required for its large nuclear portfolio, which implies lower FCF conversion. Our \$43 price target implies a ~13x target multiple on 2020E EPS. We highlight our sum-of-the-parts does not include any value for the potential LNG project and our \$43, 12-month price target implies (3%) total return to our target for EXC versus 9% among diversified utility peers.

We acknowledge that a range of outcomes may exist outside what we present here.

**Exhibit 1: D and SRE outperformed the XLU in 2013, partially due to progress on LNG projects for each utility (Cove Point/Cameron for D/SRE)**

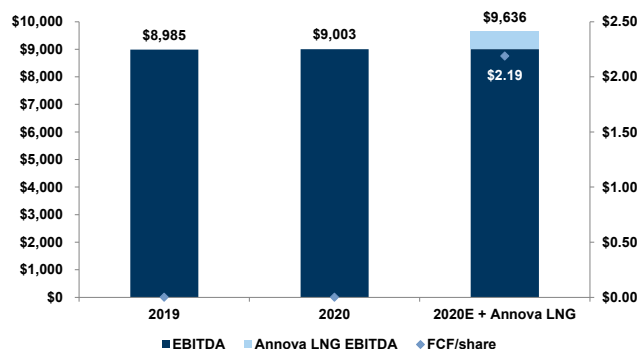
Share price performance for D, SRE, and the XLU



Source: Goldman Sachs Global Investment Research, fact

**Exhibit 2: Our mid-pointbase case scenario implies 7%/29% of incremental EBITDA/FCF per share upside relative to our 2020 estimates**

EBITDA and FCF/share, 2019E, 2020E, and 2020E with Annova LNG



Our mid-pointbase case scenario assumes 96% ownership by EXC, \$110mn/MTPA of EBITDA, and \$500mn/MTPA construction costs

Source: Goldman Sachs Global Investment Research

## Annova LNG's background

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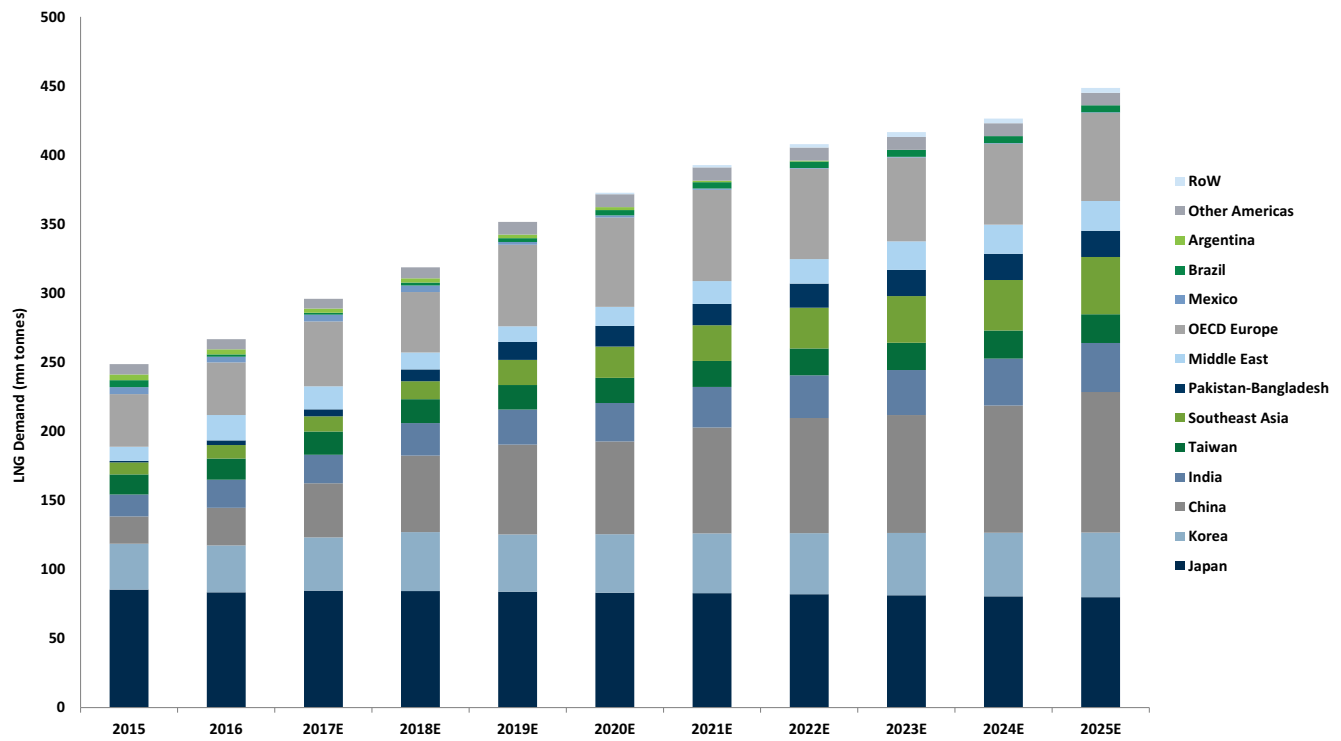
**EXC's non-regulated subsidiary, ExGen, owns a majority stake in the Annova LNG site in Brownsville, Texas** - less than 10 miles from the Gulf of Mexico. As planned, the facility would consist of six 1.0 MTPA liquefaction trains, supporting a total export capacity of 6.0 MTPA. The site - a greenfield project - still requires FERC approval, and we note FERC issued a draft environmental impact statement (EIS) on Dec. 14, 2018. A final EIS - expected in 3Q19 by EXC - would prove a meaningful milestone to reaching a FID for the project. However, following a final EIS and FERC approval, we expect EXC will still need to secure sale and purchase agreements (SPAs) with customers, financing arrangements, and an EPC for the project before a FID.

## LNG S/D macro

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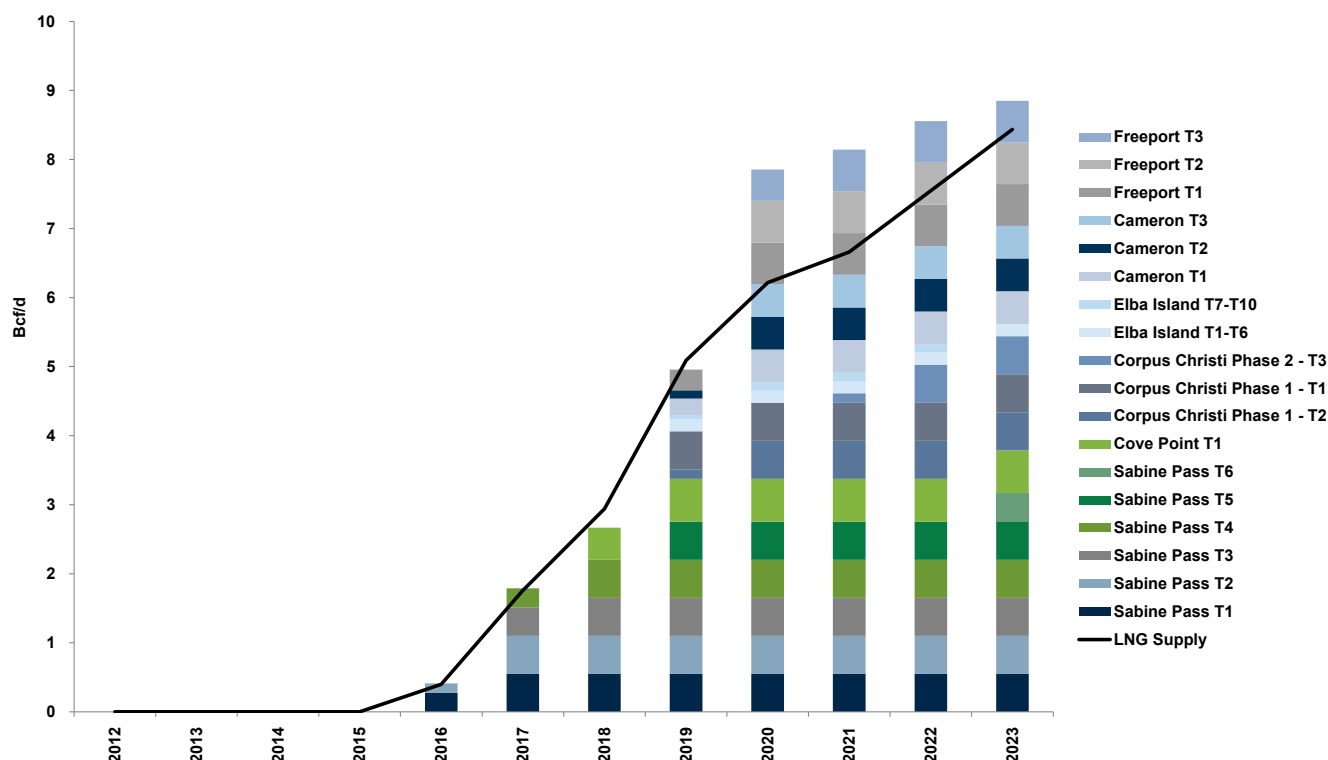
**The GS commodities team continues to expect a 5% global LNG demand growth CAGR through 2025**. Given a healthy demand growth rate through 2025 we see less potential for oversupply in the global LNG market. We see most LNG project developers aiming to meet possible excess demand by the mid-2020s. Focusing on the US, we expect the initial wave of LNG projects to supply enough capacity to meet demand through 2023, but see incremental opportunity in 2023+ as natural gas supply in the US continues to grow.

**Exhibit 3: GS commodities research expects global LNG demand to grow at a 5% CAGR through 2025...**



Source: IEA, IHS, Goldman Sachs Global Investment Research

**Exhibit 4: ...and we expect US LNG markets will tighten by 2023 - although with some slack remaining**  
US LNG supply/demand model



Source: Goldman Sachs Global Investment Research, Company data

## Annova LNG impact

### Annova LNG Project Overview

**What is Annova LNG?** Annova LNG is a greenfield project in Brownsville, Texas majority owned by ExGen (EXC's non-regulated subsidiary) which could provide up to 6.0 MTPA of export capacity. EXC currently expects a FID on Annova in 4Q19 - shortly after receiving FERC approval expected in 3Q19. While EXC currently outlines plans for just 6.0 MTPA (constructed in three four-year phases beginning 1Q/2Q/3Q 2020), it notes expansion potential that includes room for additional liquefaction trains.

### Next Steps: FERC approval, commercialization, FID, and execution

**When will Annova LNG receive final approvals?** On Dec. 14, 2018 FERC issued a draft EIS, with a comment period through Feb. 4, 2019, but FERC did not indicate an expected timeline for its decision following the comment period. EXC's project timeline assumes Annova receives a final decision from FERC by the end of 3Q2019 and FID following shortly after in 4Q19.

## Scenario Analysis

**For illustrative purposes we highlight a scenario analysis showing the potential impact of Annova LNG on EXC's EBITDA and cash flow.** We highlight the project's impact on our furthest out (2020) estimates, but note expectations - as outlined above - that the project likely does not begin commercial operations until 2024+.

### Key assumptions for our scenario analysis include:

- **50%/50% debt/equity financing**, in line with other LNG projects
- **EXC's ownership stake reflects its responsibility in the financing progress**, we focus our analysis on EXC maintaining a 96% stake in the project. We note other possibilities exist - highlighting the EPC contractors made undisclosed equity investments in the project - and we expect the financial impact to scale directly with EXC's ownership stake
- **EXC builds 6.0 MTPA of capacity**, noting again that the company does highlight potential for incremental liquefaction trains (and capacity)
- **A construction cost of \$500mn/MTPA**, given EXC notes the 6.0 MTPA project likely costs ~\$3bn
- **Annova EBITDA of \$90mn-\$130mn per MTPA**, based on recent LNG export contracts. In particular, we note that LNG (Buy) guided to \$400mn-\$600mn of EBITDA/year for its 4.4-4.9 MTPA Sabine Pass train 6 project. We pro-rate that range for our Annova LNG scenario analysis.

#### Exhibit 5: We see little net debt/EBITDA sensitivity related to the Annova LNG project for EXC...

Pro-forma net debt/EBITDA

Net Debt/EBITDA (2020E)						
EBITDA per MTPA	Cost per MTPA					
		\$600	\$550	\$500	\$450	\$400
	\$90	3.8x	3.8x	3.7x	3.7x	3.7x
	\$100	3.8x	3.7x	3.7x	3.7x	3.7x
	\$110	3.7x	3.7x	3.7x	3.7x	3.7x
	\$120	3.7x	3.7x	3.7x	3.7x	3.7x
	\$130	3.7x	3.7x	3.7x	3.6x	3.6x

Sensitivity to our base case assumption that EXC owns 96% of the project

Source: Goldman Sachs Global Investment Research

#### Exhibit 6: ...but note that if EXC owns 96% of the completed project it could see 21%-37% of FCF/share upside relative to 2020E levels

Pro-forma FCF/share accretion

FCF/Share Accretion (Dilution) (2020E)						
EBITDA per MTPA	Cost per MTPA					
		\$600	\$550	\$500	\$450	\$400
	\$90	21%	22%	22%	23%	24%
	\$100	24%	25%	26%	26%	27%
	\$110	27%	28%	29%	30%	30%
	\$120	31%	31%	32%	33%	34%
	\$130	34%	35%	35%	36%	37%

Source: Goldman Sachs Global Investment Research

## Valuation and Key Risks

We maintain our \$43 12-month price target for EXC, based on a sum-of-the-parts analysis, and remain Sell rated. Our unchanged EXC estimates do not include Annova LNG and we do not put a value on the project in our sum-of-the-parts. Key risks for EXC include power market reform, demand, and utility regulation.

## Disclosure Appendix

### Reg AC

We, Michael Lapides, Insoo Kim, CFA, David Fishman, CFA, Jack Pearl, Sarah Davis and Chitra Narayan Mahale, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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**Growth** is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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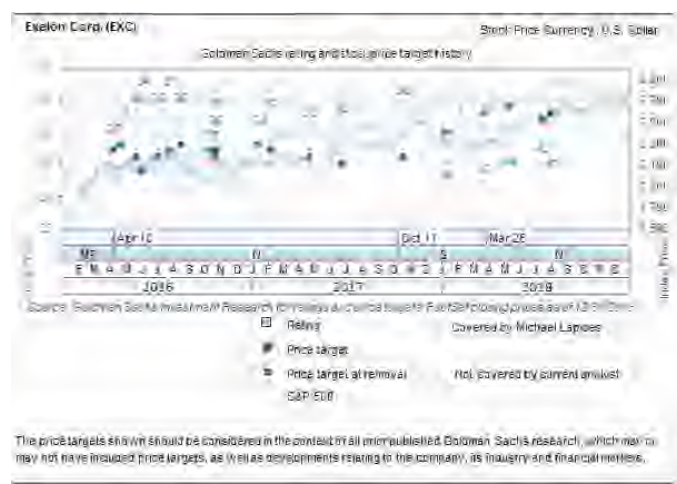
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**Total return potential** represents the upside or downside differential between the current share price and the price target, including all paid or anticipated dividends, expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The total return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

January 10, 2019

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## The Guggenheim Daily Transmission: PCG, AEP, ES, CWEN, ES, CTWS, PNW, EXC, PA, FERC, Policy, California

### What's New?

**PCG** – Federal judge considering new probation terms for PCG**PCG** – CPUC initiating cost cap proceeding Jan 10**AEP** – Ohio regulatory staff find no need for 900MW of renewables**ES** – New Hampshire Governor forms offshore wind task force**California** – President Trump threatens to withhold FEMA wildfire relief funding**CWEN** – Clearway Energy 8k, BoD member retires... failure to satisfy listing requirement**ES/CTWS** – CTWS and SJW officially withdraws merger application**PNW** – Commission moves to officially begin rate review**EXC/PA/Policy** – PA Governor signs executive order targeting GHG reductions**FERC** – Commissioner McNamee receives guidance on recusals

Ticker	Price	Rating
AEP	73.37	Neutral
ES	64.75	Buy
CWEN	16.08	Neutral
PNW	84.66	Neutral
EXC	45.02	Buy
PCG	17.83	Neutral

**PCG – Federal judge considering new probation terms for PCG**

- US District judge William Aslup issued an order contemplating new probation terms for PCG.
- One of the terms is more strict requirements for PCG to examine and remove all trees that could make contact with its power lines.
- PCG would be further required to maintain strict standards for recordkeeping and have an engineer rate the power lines for various wind conditions, make a safety determination in writing and certify them under oath.
- Also Wednesday, a federal probation officer said PCG probably violated its probation due to incomplete disclosure of settlements with local authorities in the 2017 Butte County wildfire.
- The probation officer requested to schedule a hearing over the alleged probation violation for Jan 30.

**Guggenheim takeaway:** This probationary development is another data point in a public arena of PCG wrongdoing, which may create a challenging path for any state or federal resolution to the potential wildfire liabilities the company is facing. It's hard to size up the financial impact this may have in the future, but further operational requirements and probation terms will make it harder for PCG to return to normal operations.

**PCG – CPUC initiating cost cap proceeding Jan. 10**

- The CPUC will be kicking off the cost cap, aka "stress test" proceeding on Thursday, Jan. 10.
- The proceeding will seek to determine a methodology for calculating the maximum penalty that a utility may absorb (i.e. the maximum unrecoverable wildfire liability) associated with the 2017 wildfires.

**Guggenheim takeaway:** We have previously estimated a **\$6-10B cost cap based on equity and debt financing (see note [here](#))**, but this proceeding will seek input from stakeholders to determine the exact methodology and establish the cost cap for PCG. The cost cap, as currently legislated, will only apply to 2017, but legislators could extend the methodology to cover 2018 as well.

#### **AEP – Ohio regulatory staff find no need for 900MW of renewables**

- In their [testimony](#) the Ohio regulatory staff found no need for AEP's planned renewable generation given a sufficient amount of generation already in the service territory.
- The renewables buildout is tied to a 2015 settlement with the Sierra Club. AEP Ohio would recover its investment with a non-bypassable rider.
- AEP explained, "our state needs renewable generation resources to make Ohio even more attractive to companies looking to come here."

**Guggenheim takeaway:** Data point, as a reminder the commission could differ from the staff but this is a fairly negative opinion from a consultant working for staff. The opinion is based solely on adequate supply of existing generation and does not discuss environmental attributes or customer interest in renewables. In our view, corporates looking to cut their carbon footprint (especially data centers for large tech companies) have been pushing utilities to build out more renewables and set up green tariffs and for this reason have been a driver of regulated renewable needs. We recently downgraded AEP to Neutral in our 2019 outlook given valuation and a lack of upside catalysts ahead. See [HERE](#).

#### **ES – New Hampshire Governor forms offshore wind task force**

- New Hampshire Governor Chris Sununu is [working](#) with the federal government to form an offshore wind task force.
- As a reminder Massachusetts, Rhode Island and Connecticut had solicitations for a combined 1.4 GW of offshore wind last year.

**Guggenheim takeaway:** Data point, shows offshore wind is still in its infancy on the east coast and more opportunities could be ahead for regulated utilities to participate in additional RFP for generation and/or transmission.

#### **California – President Trump threatens to withhold FEMA wildfire relief funding**

- President Trump, via Twitter, threatened to pull FEMA wildfire funding blaming poor vegetation management for the loss of life and property damage.
- It is unclear how the money would be withheld since the fires were already declared a national disaster and would require a rescission of FEMA funding, which Trump may not have authority over at this point.
- FEMA did not respond due to being shutdown as a part of the federal budget negotiations.

**Guggenheim takeaway:** This is another illustration of party politics at play in managing a complex issue such as wildfire. While President Trump is thinking about pulling FEMA funding, CA Governor Newsom is planning to expand funding for debris removal and CalFire wildfire mitigation programs. Beyond the federal / state divergence on the topic, we could potentially see a party divergence within California on the wildfire issue as well.

#### **CWEN – Clearway Energy 8k, BoD member retires... failure to satisfy listing requirement**

- According to an 8k CWEN filed on Jan. 4, 2019, John F Chlebowski retired from the board of directors and his "decision to retire was not as a result of any disagreement with the company, its board or management."
- Due to his retirement, the company only has two independent directors, which is one less than the NYSE listing rule that requires three independent directors.
- Mr. Chlebowski was the lead independent director since July 2013.

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- The company has immediately undertaken a search for a new independent director.

**Guggenheim takeaway:** CWEN may benefit from a new independent voice on the board and we will watch closely to see who fills the board seat. We recently downgraded CWEN to Neutral from Buy in our 2019 outlook on low expectations for growth and our need to get more comfortable with the new sponsor with NEP being our preferred name in the NT. See [HERE](#).

#### ES/CTWS – CTWS and SJW officially withdraws merger application

- San Jose Water and Connecticut Water officially [withdrew](#) their merger application but caveated that they will study past mergers that CT regulators (PURA) have approved and will look to refile with a new merger application.

**Guggenheim takeaway:** We see this approach as challenging since PURA's rejection of the merger was mainly based on the large amount of equity and debt capital required to close the deal. We continue to believe that after losing a prior bidding war Eversource could show up as the backbid for CTWS but to be clear we don't think ES is interested in overpaying for CTWS (given they let SJW out bid them for CTWS). ES mgmt. has noted on recent earnings calls they continue to be interested in M&A in their core New England region. We maintained our BUY rating on ES in our recent 2019 outlook, see [HERE](#).

#### PNW – Commission moves to officially begin rate review

- The newly-constituted Commission voted at its first open meeting to commence a rate review of APS, something that had been discussed in weeks prior by Commissioners Boyd Dunn and Bob Burns - then-elect Commissioner Kennedy also expressed her support.
- The review will be carried out between now and May.
- Replay available [HERE](#).

**Guggenheim takeaway:** Generally as expected following the comments we previously highlighted from Boyd, Dunn, and Kennedy in the press last week. While the Commission can always reopen the rate case, our conversations with mgmt. (and our own modeling) indicate that they are confident that the review will show they have not been over-earning – a view we currently ascribe to as well. Our initial impression is that the review process will likely not feature many interim data points for the public, but we continue to monitor for any comments from Staff. But that said, we do not feel comfortable with direction of the ACC as PNW has always been able to manage well through the process but this “new” tide is something we all need to closely follow.

#### EXC/PA/Policy – PA Governor signs executive order targeting GHG reductions

- Governor Tom Wolf [announced](#) an executive [order](#) targeting greenhouse gas emissions: “The commonwealth will work to achieve a 26 percent reduction of greenhouse gas emissions by 2025 and an 80 percent reduction by 2050, from 2005 levels.”
- The order creates a series of performance goals for [state agencies](#):
  1. Reduce overall energy consumption by 3 percent per year, and 21 percent by 2025, as compared to 2017 levels.
  2. Replace 25 percent of the state passenger car fleet with battery electric and plug-in electric hybrid cars by 2025.
  3. Procure renewable energy to offset at least 40 percent of the commonwealth's annual electricity use.
- Commenting to S&P after the announcement EXC noted: “The loss of Exelon's Three Mile Island plant would, by itself, erase all of the clean-energy progress Pennsylvania customers have paid for through the development of solar and wind over the past 25 years.”

**Guggenheim takeaway:** While the newly-reelected governor's order does not have direct read through to nuclear power, we view it as a tangential positive data point in the ongoing state debate over emissions and clean energy. We remain on the lookout for additional data

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*points from the state legislature, where we expect a lively debate over the Nuclear Caucus' recent recommendations. See our outlook [HERE](#) for additional details.*

**FERC – Commissioner McNamee receives guidance on recusals**

- In a letter to Senate Democrats first reported by [UtilityDive](#) FERC Associate General Counsel Charles A. Beamon provides guidance.
- *“Based on the facts known to me, I do not view your prior position and statements as demonstrative of an unalterably closed mind as to that administrative docket [AD18-7].”*
- Letter available [HERE](#).

**Guggenheim takeaway:** *For your awareness and not much of a surprise in our view, although in our view there will likely be challenges, however specious, by environmentalists should McNamee provide a key vote in even a tangentially related docket.*

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Guggenheim's Power & Utility Comp Sheet

Price as of Close Wednesday, January 09, 2019

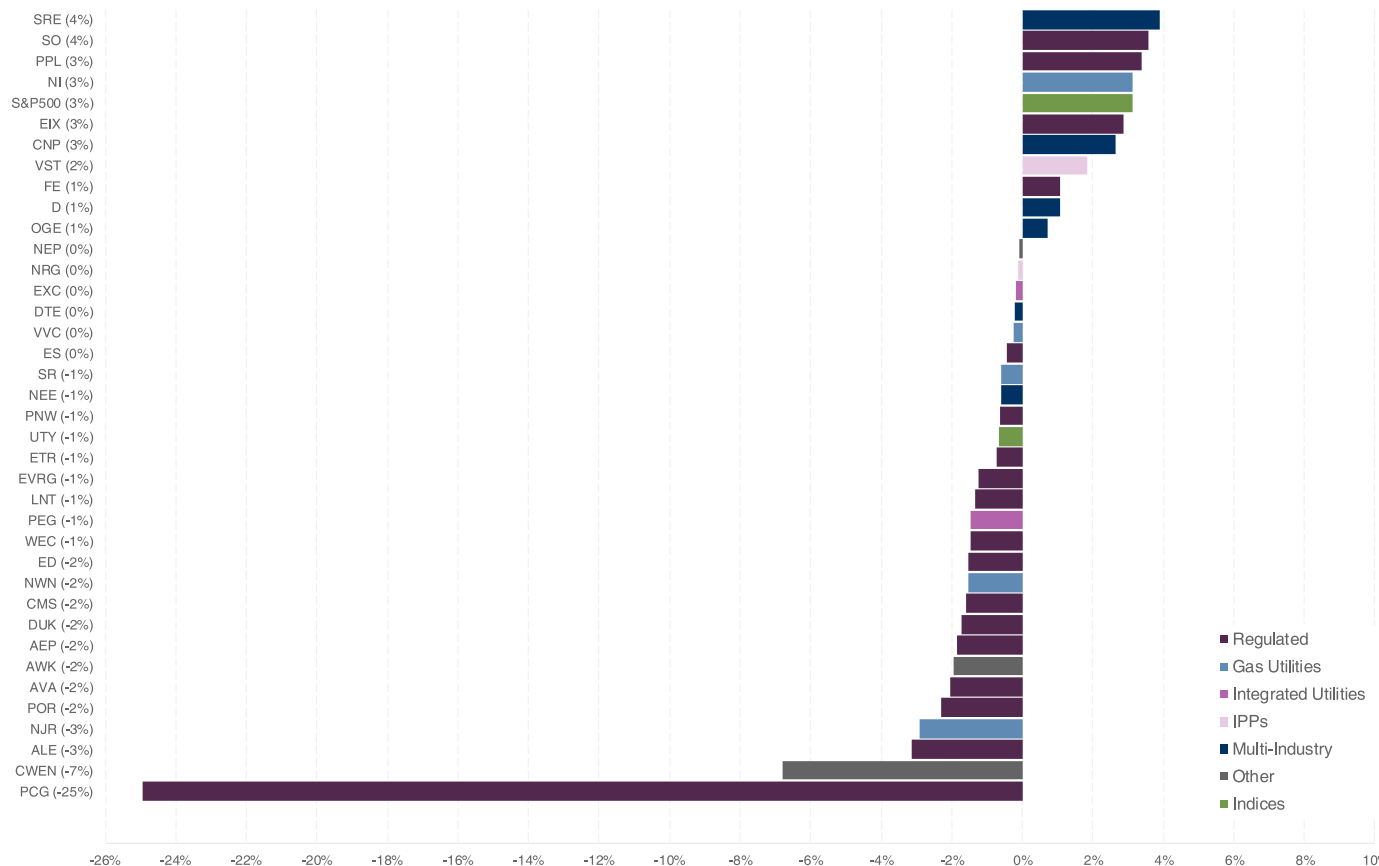
Price as of Close Wednesday, January 09, 2019									Guggenheim										Consensus																																												
Regulated Electric Utilities <sup>(1)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																							
	Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																			
AEP	American Electric Power	36.2	Neutral	\$78	\$73.37	3.8%	\$0.62	493	3.93	4.17	4.44	4.71	4.93	18.7	17.6	16.5	15.6	14.9	3.94	4.12	4.39	4.64	4.92	18.6	17.8	16.7	15.8	14.9																																			
ALE	ALLETE	3.8	Neutral	\$74	\$73.83	3.5%	\$0.64	51	3.34	3.71	4.01	4.20	4.46	22.1	19.9	18.4	17.6	16.6	3.37	3.62	3.93	4.10	4.46	21.9	20.4	18.8	18.0	16.6																																			
AVA	Avista*	2.7	Neutral	\$42	\$41.61	3.9%	\$0.71	66	2.05	2.19	2.31	2.38	2.45	20.3	19.0	18.0	17.5	17.0	2.08	2.19	2.28	2.38	2.45	20.0	19.0	18.3	17.5	17.0																																			
CMS	CMS Energy	14.0	Neutral	\$53	\$48.86	3.3%	\$0.61	283	2.35	2.50	2.69	2.88	3.08	20.8	19.5	18.2	17.0	15.9	2.34	2.50	2.68	2.86	3.07	20.9	19.6	18.2	17.1	15.9																																			
DUK	Duke Energy	60.5	Buy	\$94	\$94.81	4.6%	\$0.75	713	4.78	5.00	5.26	5.57	5.91	17.7	17.0	16.1	15.2	14.4	4.75	4.97	5.25	5.53	5.83	17.9	17.1	16.2	15.3	14.5																																			
ED	Consolidated Edison	23.5	Neutral	\$82	\$75.30	4.0%	\$0.66	311	4.25	4.36	4.61	4.79	4.95	17.7	17.3	16.3	15.7	15.2	4.28	4.32	4.54	4.74	4.95	17.6	17.4	16.6	15.9	15.2																																			
EIX	Edison International*	19.0	Buy	\$69	\$58.40	4.7%	\$0.55	326	4.15	4.57	4.93	5.37	5.70	14.1	12.8	11.8	10.9	10.2	4.15	4.51	4.79	4.99	5.30	14.1	13.0	12.2	11.7	11.02																																			
ES	Eversource Energy	20.6	Buy	\$72	\$64.75	3.5%	\$0.61	317	3.27	3.51	3.71	3.94	4.17	19.8	18.4	17.5	16.4	15.5	3.27	3.48	3.69	3.91	4.17	19.8	18.6	17.5	16.5	15.53																																			
ETR	Entergy	15.6	Buy	\$96	\$85.45	4.4%	\$0.67	181	7.02	5.94	5.66	5.92	6.33	12.2	14.4	15.1	14.4	13.5	7.00	6.02	5.78	5.81	6.33	12.2	14.2	14.8	14.7	13.5																																			
EVRG	Evergy	14.9	Buy	\$63	\$56.06	3.7%	\$0.64	263	2.63	2.93	3.27	3.42	3.58	21.3	19.1	17.1	16.4	15.7	2.56	2.96	3.29	3.43	3.58	21.9	19.0	17.0	16.3	15.7																																			
FE	FirstEnergy	19.5	Buy	\$46	\$37.95	4.1%	\$0.60	511	2.56	2.57	2.63	2.81	3.02	14.8	14.8	14.4	13.5	12.6	2.53	2.56	2.52	2.68	3.02	15.0	14.8	15.0	14.2	12.6																																			
LNT	Alliant Energy	9.8	Neutral	\$41	\$41.69	3.6%	\$0.63	236	2.18	2.24	2.37	2.50	2.69	19.1	18.6	17.6	16.7	15.5	2.16	2.25	2.40	2.52	2.68	19.3	18.5	17.4	16.5	15.6																																			
PCG	PG&E Corporation*	9.1	Neutral	NA	\$17.83	0.0%	\$0.00	519	3.84	4.07	4.39	4.57	4.67	4.6	4.4	4.1	3.9	3.8	3.82	4.02	4.19	4.29	4.21	4.7	4.4	4.3	4.2	4.2																																			
PNW	Pinnacle West	9.5	Neutral	\$89	\$84.66	3.7%	\$0.63	112	4.49	4.84	5.04	5.25	5.45	18.9	17.5	16.8	16.1	15.5	4.48	4.84	5.04	5.28	5.45	18.9	17.5	16.8	16.0	15.5																																			
POR	Portland General Electric	4.0	Neutral	\$44	\$44.79	3.6%	\$0.63	89	2.32	2.43	2.54	2.68	2.75	19.3	18.4	17.6	16.7	16.3	2.34	2.44	2.55	2.68	2.75	19.1	18.3	17.6	16.7	16.29																																			
PPL	PPL Corporation	21.1	Neutral	\$29	\$29.29	6.2%	\$0.70	720	2.36	2.44	2.61	2.74	2.85	12.4	12.0	11.2	10.7	10.3	2.35	2.44	2.55	2.63	2.84	12.4	12.0	11.5	11.1	10.33																																			
SO	Southern Company	47.2	Neutral	\$44	\$45.49	5.6%	\$0.81	1029	3.07	3.05	3.15	3.31	3.46	14.8	14.9	14.4	13.7	13.1	3.04	3.02	3.12	3.24	3.46	15.0	15.1	14.6	14.0	13.15																																			
WEC	WEC Energy	21.5	Buy	\$76	\$68.24	3.7%	\$0.67	316	3.32	3.50	3.73	3.98	4.26	20.6	19.5	18.3	17.1	16.0	3.33	3.51	3.74	3.96	4.23	20.5	19.5	18.3	17.2	16.13																																			
*Average (Excl. EIX, PCG, PPL for P/E)														18.5					17.7					16.8					16.0					15.2					18.6					17.8					16.9					16.1					15.2				
Regulated Gas Utilities <sup>(2)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																							
	Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																			
NI	NiSource	9.7	Buy	\$29	\$26.14	3.1%	58%	372	1.28	1.38	1.48	1.68	NA	20.4	18.9	17.7	15.6	NA	1.28	1.34	1.44	1.56	1.68	20.4	19.5	18.2	16.8	15.6																																			
NJR	New Jersey Resources	3.9	Sell	\$39	\$44.34	2.7%	60%	89	2.74	2.01	2.19	2.36	2.54	16.2	22.1	20.2	18.8	17.5	2.74	2.01	2.16	2.33	2.54	16.2	22.0	20.5	19.0	17.5																																			
NWN	NW Natural Gas	1.7	Sell	\$49	\$59.54	3.2%	77%	29	2.17	2.44	2.60	2.66	2.71	27.4	24.4	22.9	22.4	22.0	2.23	2.46	2.58	2.64	2.71	26.8	24.2	23.1	22.6	22.0																																			
SR	Spire	3.7	Neutral	\$77	\$73.65	3.3%	65%	51	3.74	3.75	3.92	4.06	4.30	19.7	19.6	18.8	18.1	17.1	3.72	3.71	3.87	3.99	4.30	19.8	19.9	19.0	18.4	17.1																																			
VVC	Vectren*	6.0	Neutral	\$72	\$71.81	2.7%	63%	83	2.89	3.09	3.27	3.47	3.71	24.8	23.2	22.0	20.7	19.4	2.88	3.05	3.28	3.47	3.71	25.0	23.5	21.9	20.7	19.4																																			
Average (Excl. VVC)														20.9					21.3					19.9					18.7					18.9					20.8					21.4					20.2					19.2					18.0				
Integrated Utilities <sup>(3)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																							
	Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																			
EXC	Exelon	43.9	Buy	\$53	\$45.02	3.2%	46%	967	3.09	3.16	3.25	3.17	3.21	14.6	14.2	13.9	14.2	14.0	3.12	3.16	3.18	3.15	3.23	14.4	14.2	14.2	14.3	13.9																																			
PEG	PSEG	26.1	Buy	\$69	\$51.29	3.7%	58%	505	3.13	3.28	3.49	3.60	3.83	16.4	15.6	14.7	14.2	13.4	3.10	3.26	3.55	3.67	3.82	16.6	15.7	14.5	14.0	13.4																																			
Average														15.5					14.9					14.3					14.2					13.7					15.5					15.0					14.3					14.1					13.7				
Independent Power Producers (IPPs) <sup>(4)</sup>									Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA																																							
	Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																			
NRG	NRG Energy	11.5	Buy	\$51	\$39.55	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	8.6	9.1	9.4	8.9	8.9	1,770	2,022	1,841	1,850	1,936	9.5	8.2	8.7	9.0	NA																																			
VST	Vistra Energy	11.8	Buy	\$37	\$23.31	2.1%	0%	504	2,800	3,307	3,355	3,402	3,402	8.0	6.9	6.7	6.4	6.2	2,753	3,326	3,227	3,210	3,654	7.9	6.3	6.1	5.8	NA																																			
Average														8.3					8.0					8.0					7.7					7.5					8.7					7.3					7.4					NA					NA				
Multi-Industry Utilities <sup>(5)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																							
	Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																			
CNP	CenterPoint	14.7	Buy	\$33	\$28.98	4.0%	68%	501	1.58	1.72	1.82	1.92	2.02	18.3	16.8	15.9	15.1	14.3	1.58	1.69	1.81	1.94	2.02	18.3	17.1	16.0	15.0	14.3																																			
D	Dominion	54.3	Buy	\$82	\$72.22	5.1%	86%	752	4.02	4.27	4.49	4.76	5.18	18.0	16.9	16.1	15.2	13.9	4.08	4.28	4.49	4.68	4.98	17.7	16.9	16.1	15.4	14.5																																			
DTE	DTE Energy	20.1	Buy	\$129	\$110.07	3.4%	60%	182	6.40	6.32	6.84	7.34	7.70	17.2	17.4	16.1	15.0	14.3	6.31	6.23	6.58	7.04	7.43	17.4	17.7	16.7	15.6	14.8																																			
NEE	NexEra	82.9	Buy	\$205	\$172.79	2.9%	58%	478	7.83	8.63	9.19	9.91	10.52	22.1	20.0	18.8	17.4	16.4	7.75	8.41	9.04	9.79	10.59	22.3	20.6	19.1	17.7	16.3																																			
OGE	OGE Energy	7.9	Neutral	\$41	\$39.47	3.8%	70%	200	2.06	2.14	2.30	2.41	2.51	19.2	18.4	17.2	16.4	15.7	2.07	2.14	2.31	2.41	2.51	19.1	18.4	17.1	16.4	15.7																																			
SRE	Sempra Energy	31.1	Buy	\$133	\$112.42	3.5%	64%	274	5.47	6.13	7.29	7.60	7.96	20.6	18.3	15.4	14.8	14.1	5.45	6.08	7.24	7.59	7.88	20.6	18.5	15.5	14.8	14.3																																			
Average														19.2					18.0					16.6					15.6					14.8					19.2					18.2					16.7					15.8					15.0				
Other									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																							
	Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																			
AWK	American Water Works	16.1	Neutral	\$96	\$88.99	2.2%	54%	181	3.30	3.61	3.96	4.27	4.60	27.0	24.7	22.5	20.8	0.0	3.30	3.58	3.88	4.24	4.59	27.0	24.9	22.9	21.0	19.4																																			
									Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA																																							
	Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares		'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																			
CWEN	Clearway Energy	3.4	Neutral	\$17	\$16.08	8.2%	NA	183	1,039	1,069	1,116	1,159	1,159	9.0	8.9	8.9	8.5	8.9	998	1,095	1,152	1,155	NA	8.7	8.4	7.9	7.8	-																																			
NEP	NexEra Energy Partners	2.4	Buy	\$56	\$43.02	4.7%	NA	56	1,1																																																						

POWER, UTILITIES & ALTERNATIVE ENERGY

January 10, 2019

Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
  - (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
  - (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
  - (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
  - (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).
- Source:** Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC	PEG	6/24-6/25	Midwest
FE	1/22-1/23	Boston/NYC	AWK	7/9-7/10	Midwest
D	2/25-2/26	Boston/NYC			
WEC	2/27-2/28	West Coast			
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			
ALE	4/2-4/4	TBD			
DUK	6/6-6/7	Midwest			

**MORE TO BE ADDED...**

## Guggenheim-Hosted Commissioner Roundtable





### Guggenheim Policy Series

Equity Research | Corporate Access

## SAVE THE DATE: Guggenheim Hosted Commissioner Roundtable Event

**Date & Time**  
Wednesday, January 23, 2019  
10:00am – 11:30am ET

**Location**  
Guggenheim Securities  
330 Madison Ave.  
32nd Floor  
New York, NY 10017

**Commissioner Participants**  
*\*Below Commissioners are confirmed, more will be added over the next two weeks*  
**Jay Balasbas**, Commissioner, Washington Utilities and Transportation Commission  
**Tricia Pridemore**, Commissioner, Georgia Public Service Commission  
**Maida Coleman**, Commissioner, Missouri Public Service Commission

**Hosting Analyst**  
**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
2. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
3. [Guggenheim's 2018 EEI Summary](#)
4. [Guggenheim EEI Takeaways - Day 3](#)
5. [Guggenheim EEI Takeaways - Day 2](#)
6. [Guggenheim EEI Takeaways - Day 1](#)
7. [Guggenheim EEI - Investor Question Bank](#)
8. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
9. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
10. [Coal/Nuclear: Will Politics "Trump" Reality](#)
11. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
12. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
13. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
14. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
15. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
16. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
17. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
18. [Guggenheim EEI Takeaways - Day 1](#)
19. [Guggenheim EEI Takeaways - Day 2](#)
20. [Guggenheim EEI Takeaways - Day 3](#)
21. [Utility and IPP 3Q17 Model Sweep](#)
22. [DOE Texas Tango – Will FERC Dance?](#)
23. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
24. [AGA Conference Highlights and Management Meeting Takeaways](#)
25. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
26. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
27. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
28. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
29. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
2. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
3. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
4. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
5. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
6. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
7. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
8. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
9. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
10. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
11. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
12. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
13. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
14. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
15. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
16. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
17. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
18. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
19. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
20. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
21. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
22. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
23. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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24. VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story
25. NJR - Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...
26. PCG-"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire
27. PEG Analyst Day: Solid Analyst Day Left No Surprises - Steady As She Goes with Upside Generally Within Expectations
28. PCG - 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E - Precursor for More Damaging Results to Come?
29. NEE / SO: Great Minds Think Alike - This Deal Makes a Lot of Sense For Everyone, with Room for More
30. FE - "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest
31. D - Southern Charming on Madison Avenue...Any Bargain Shoppers?
32. ALE Management Roadshow - Solid Growth; Pieces Are Fitting Together - No...Not a Willing Seller
33. PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.
34. CNP/VVC - Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug
35. PNW NDR - Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point
36. VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \$37
37. ETR Mgmt. Roadshow - This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over
38. WEC NDR - The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court
39. NRG - Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend
40. DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"
41. CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" (UP) in Michigan? We May be at an Inflection Point
42. SRE- "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential
43. VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan
44. EIX - Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In
45. AEP - Upgrading to NEUTRAL on Balancing Risks - Wind Catcher a Nice Have but Now Pure Upside

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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			Count	Percent
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SELL	6	1.63%	0	0.00%

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

January 8, 2019

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212 651 0847**The Guggenheim Daily Transmission: PCG, EXC, EPSA, NEE, DUK, D, DOE, Policy****What's New?****2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities (see our note [HERE](#))****PCG** – PCG debt cut to B rating by S&P with a negative outlook**PCG** – CA governor and legislators comment on urgency to resolve utility wildfire woes**EXC/EP SA/Policy** – EP SA files for SCOTUS review of ZEC laws in NY, IL**NEE/DUK**– Florida state senator files bill for solar access**D/SCG** – Screening for SC Public Service Commission seats begins**DOE** – Energy Department reportedly exploring new enrichment pilot program

Ticker	Price	Rating
PCG	18.95	Neutral
EXC	44.70	Buy
DUK	85.01	Buy
NEE	172.28	Buy
D	71.51	Buy

**PCG – PCG debt cut to B rating by S&P with a negative outlook**

- S&P cites deteriorating political and regulatory environment and limited ability to finance its business operations.
- CPUC allegations of safety records also played part in the consideration for downgrade, and S&P noted weak management and governance "beyond an isolated episode and outside industry norms."
- If both S&P and Moody's downgrade the utility below investment grade, the company would be required to collateralize up to \$800M in net liabilities (10-Q).

**Guggenheim takeaway:** While we don't view bankruptcy as likely in the immediate term unless legislative efforts stall, PCG has significant near term obligations outstanding including \$1.15B of term loans and notes due in 2020 and currently has over \$3B drawn on revolving credit facilities. PCG also outlined a \$6B/year 2019-2022 capital program on the 3Q earnings call; in 2016 a comparable capital program required ~\$1.3B of debt financing and ~\$1.3B of retained earnings/common stock issuance. Additionally, if both S&P and Moody's downgrade the utility below investment grade, the company would be required to collateralize up to \$800M in net liabilities. The downgrade sets PCG at the mercy of legislators who have yet to issue a proposal for a backstop.

**PCG – CA governor and legislators comment on urgency to resolve utility wildfire woes**

- Governor Newsom made statements before his inauguration supportive of PCG, as the utility supports "low-carbon, green growth investments" supportive of his policy agenda. Multiple news agencies are reporting (see [HERE](#) and [HERE](#)) a PCG is contemplating a sale of the gas business or bankruptcy as the company faces potential liabilities from the 2017-2018 wildfires.
- Toni Atkins, Senate president pro tempore has publicly stated that much more work is required to address wildfires, and that his colleagues would take the issue in focus in the coming session, but no immediate conclusions were to be drawn over the financial effects as the investigations are still ongoing.
- Chris Holden, Assembly utilities and energy CMTE chair, agreed that the aftermath of the wildfires will be a top priority for the committee and Governor Newsom.

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- Senator Jerry Hill, a frequent PCG critic, remains skeptical of PCG with a negative stance on potential bailouts, quoted in a public statement, "You can't trust what they say."

**Guggenheim takeaway:** *PCG stock continues to decline as liabilities mount and no comprehensive solution for wildfire liabilities is currently proposed outside of generalized statements of support. We remain cautious around the timing of any resolution to the PCG "special sit" as conflicting public statements from legislators and regulators and an absence of a definitive path is likely to keep weighing on the stock. Historically neither the legislature nor regulators have been able to enact swift resolutions to pressing matters; not even the legislative special sessions have been able to produce constructive outcomes (2016 transportation special session ended with no deal).*

**EXC/EPSCA/Policy – EPSCA files for SCOTUS review of ZEC laws in NY, IL**

- The petitions for writ of certiorari were filed by the industry group using the NY case in the 2<sup>nd</sup> Circuit as the main avenue.
- A decision to review is not expected by SCOTUS until 2Q19 at the earliest as EXC and the states have time to file their own replies to EPSCA's brief.

**Guggenheim takeaway:** *No surprise after the earlier rejections in the circuit courts. While we are not going to make a call on whether the SCOTUS ultimately takes up the case, we note that Hughes v. Talen was resolved only two years ago. With the ZEC programs carefully crafted to avoid many of the same pitfalls, and having survived thus far in IL and NY, we would be surprised at this time to see the SCOTUS overturn the ZEC programs, but still very much a wait and see situation. As we pointed out in our outlook piece (see above), the creation of additional ZEC programs (in PA and OH) remains a very real possibility in 2019. Stay tuned...*

**NEE/DUK – Florida state senator files bill for solar access**

- A senator from the Florida state senate [filed](#) a bill (SB 222) that makes it easier for landlords to generate and sell renewable energy.
- The bill allows for distributed generation of up to 2.5 MW on a property.
- The bill attempts to enable PPAs for renewable/distributed generation.

**Guggenheim takeaway:** *Data point. Worth tracking and could increase renewable penetration in Florida but right now immaterial to our coverage in the state.*

**D – Screening for SC Public Service Commission seats begins**

- Next Monday, [screening](#) for two SC PSC seats begins.

**Guggenheim takeaway:** *Data point. It is worth noting that SC is a unique state where the legislature elects the Commissioners. This is atypical as most are appointed by a Governor and some are elected by the people of a given state.*

**DOE – Energy Department reportedly exploring new enrichment pilot program**

- A \$115mm pilot program with Centrus Energy (NYSE: LEU) at an existing unused enrichment facility to produce nuclear fuel at a higher enrichment rate for use by next generation reactors.
- Wall Street Journal article available [HERE](#), local article [HERE](#).

**Guggenheim takeaway:** *Long-range nuclear policy data point, for your awareness. The most imminent next-gen [design](#), from Fluor's (NYSE: FLR) Nuscale, would utilize fuel enriched to current commercial standards (<5%).*

POWER, UTILITIES & ALTERNATIVE ENERGY

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Guggenheim's Power & Utility Comp Sheet

Price as of Close Monday, January 07, 2019

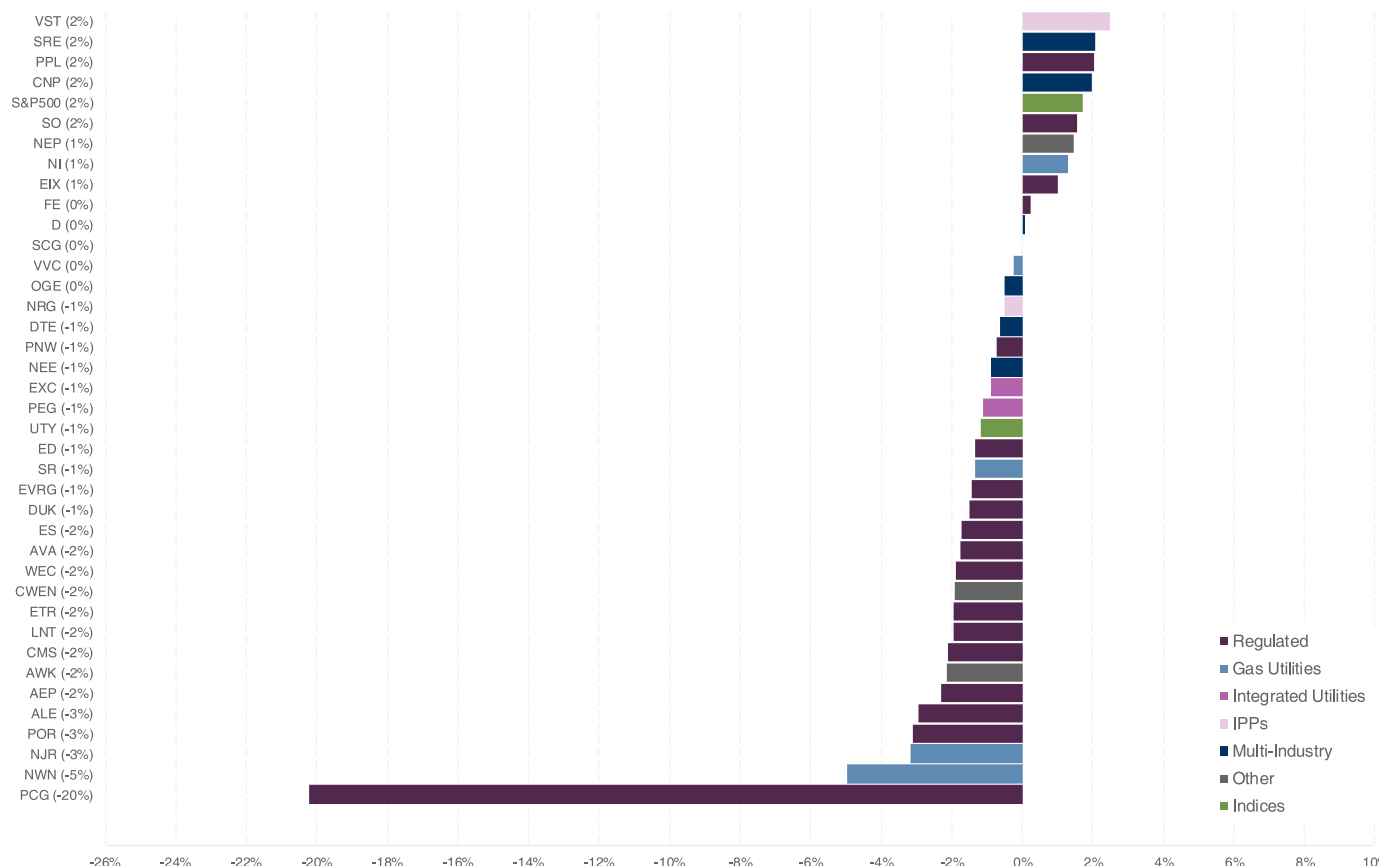
Price as of Close								Guggenheim										Consensus																																																	
Regulated Electric Utilities <sup>(1)</sup>								Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																												
		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																							
AEP	American Electric Power	36.0	Neutral	\$78	\$73.03	3.8%	\$0.62	493	3.93	4.17	4.44	4.71	4.93	18.6	17.5	16.4	15.5	14.8	3.94	4.12	4.38	4.63	4.90	18.5	17.7	16.7	15.8	14.9																																							
ALE	ALLETE	3.8	Neutral	\$74	\$73.98	3.4%	\$0.64	51	3.34	3.71	4.01	4.20	4.46	22.2	19.9	18.5	17.6	16.6	3.38	3.63	3.92	4.10	-	21.9	20.4	18.9	18.0	-																																							
AVA	Avista*	2.7	Neutral	\$42	\$41.74	3.9%	\$0.71	66	2.05	2.19	2.31	2.38	2.45	20.4	19.1	18.1	17.6	17.1	2.07	2.19	2.34	2.40	-	20.2	19.0	17.8	17.4	-																																							
CMS	CMS Energy	13.8	Neutral	\$53	\$48.60	3.4%	\$0.61	283	2.35	2.50	2.69	2.88	3.08	20.7	19.4	18.1	16.9	15.8	2.34	2.50	2.68	2.86	3.05	20.8	19.4	18.1	17.0	15.9																																							
DUK	Duke Energy	60.6	Buy	\$94	\$85.01	4.6%	\$0.75	713	4.78	5.00	5.26	5.57	5.91	17.8	17.0	16.2	15.3	14.4	4.75	4.97	5.24	5.53	5.75	17.9	17.1	16.2	15.4	14.8																																							
ED	Consolidated Edison	23.5	Neutral	\$82	\$75.44	4.0%	\$0.66	311	4.25	4.36	4.61	4.79	4.95	17.8	17.3	16.4	15.8	15.2	4.29	4.33	4.54	4.73	-	17.6	17.4	16.6	16.0	-																																							
EIX	Edison International*	18.8	Buy	\$69	\$57.34	4.7%	\$0.55	326	4.15	4.57	4.93	5.37	5.70	13.8	12.6	11.6	10.7	10.1	4.14	4.50	4.79	4.97	4.90	13.8	12.7	12.0	11.5	11.7																																							
ES	Eversource Energy	20.3	Buy	\$72	\$63.93	3.6%	\$0.61	317	3.27	3.51	3.71	3.94	4.17	19.6	18.2	17.2	16.2	15.3	3.27	3.48	3.69	3.91	-	19.5	18.4	17.3	16.4	-																																							
ETR	Entergy	15.3	Buy	\$96	\$84.40	4.5%	\$0.67	181	7.02	5.94	5.66	5.92	6.33	12.0	14.2	14.9	14.3	13.3	7.01	6.05	5.78	5.79	-	12.0	14.0	14.6	14.6	-																																							
EVRG	Evergy	14.7	Buy	\$63	\$55.95	3.7%	\$0.64	263	2.63	2.93	3.27	3.42	3.58	21.3	19.1	17.1	16.4	15.6	2.56	2.95	3.29	3.43	-	21.9	18.9	17.0	16.3	-																																							
FE	FirstEnergy	19.2	Buy	\$46	\$37.64	4.2%	\$0.60	511	2.56	2.57	2.63	2.81	3.02	14.7	14.6	14.3	13.4	12.5	2.53	2.55	2.53	2.70	-	14.9	14.8	14.9	13.9	-																																							
LNT	Alliant Energy	9.8	Neutral	\$41	\$41.43	3.6%	\$0.64	236	2.18	2.24	2.37	2.50	2.69	19.0	18.5	17.5	16.6	15.4	2.16	2.25	2.39	2.51	2.67	19.2	18.4	17.3	16.5	15.5																																							
PCG	PG&E Corporation*	9.8	Neutral	NA	\$18.95	0.0%	\$0.00	519	3.84	4.07	4.39	4.57	4.67	4.9	4.7	4.3	4.1	4.1	3.82	4.02	4.17	4.25	3.75	5.0	4.7	4.5	4.5	5.1																																							
PNW	Pinnacle West	9.5	Neutral	\$89	\$84.58	3.7%	\$0.63	112	4.49	4.84	5.04	5.25	5.45	18.8	17.5	16.8	16.1	15.5	4.48	4.84	5.02	5.24	5.32	18.9	17.5	16.9	16.2	15.9																																							
POR	Portland General Electric	4.0	Neutral	\$44	\$44.43	3.6%	\$0.63	89	2.32	2.43	2.54	2.68	2.75	19.1	18.3	17.5	16.6	16.2	2.34	2.45	2.56	2.71	-	19.0	18.1	17.3	16.4	-																																							
PPL	PPL Corporation	20.9	Neutral	\$29	\$28.91	6.3%	\$0.70	720	2.36	2.44	2.61	2.74	2.85	12.2	11.8	11.1	10.5	10.1	2.36	2.43	2.54	2.63	2.82	12.3	11.9	11.4	11.0	10.25																																							
SO	Southern Company	45.9	Neutral	\$44	\$44.61	5.7%	\$0.81	1029	3.07	3.05	3.15	3.31	3.46	14.6	14.6	14.1	13.5	12.9	3.04	3.02	3.12	3.23	-	14.7	14.8	14.3	13.8	-																																							
WEC	WEC Energy	21.4	Buy	\$76	\$67.95	3.7%	\$0.67	316	3.32	3.50	3.73	3.98	4.26	20.5	19.4	18.2	17.1	16.0	3.33	3.51	3.74	3.96	4.20	20.4	19.4	18.2	17.2	16.18																																							
*Average (Excl. EIX, PCG, PPL for P/E)								3.9%					62%					18.5					17.6					15.9					15.1					18.5					17.7					16.8					16.0					15.5									
Regulated Gas Utilities <sup>(2)</sup>								Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																							
NI	NISource	9.6	Buy	\$29	\$25.68	3.1%	58%	372	1.28	1.38	1.48	1.68	NA	20.1	18.6	17.4	15.3	NA	1.28	1.34	1.43	1.54	-	20.0	19.2	17.9	16.7	-																																							
NJR	New Jersey Resources	3.9	Sell	\$39	\$44.22	2.7%	60%	89	2.74	2.01	2.19	2.36	2.54	16.1	22.0	20.2	18.7	17.4	2.74	2.01	2.14	2.31	-	16.1	22.0	20.6	19.2	-																																							
NWN	NW Natural Gas	1.7	Sell	\$49	\$57.46	3.3%	78%	29	2.17	2.44	2.60	2.66	2.71	26.5	23.6	22.1	21.6	21.2	2.21	2.45	2.57	2.67	-	26.0	23.4	22.3	21.5	-																																							
SR	Spire	3.7	Neutral	\$77	\$73.09	3.3%	65%	51	3.74	3.75	3.92	4.06	4.30	19.5	19.5	18.7	18.0	17.0	3.72	3.70	3.87	4.02	-	19.6	19.7	18.9	18.2	-																																							
VVC	Vectren*	6.0	Neutral	\$72	\$71.81	2.7%	63%	83	2.89	3.09	3.27	3.47	3.71	24.9	23.2	22.0	20.7	19.4	2.88	3.05	3.27	3.47	-	25.0	23.6	22.0	20.7	-																																							
*Average (Excl. VVC)								3.3%					66%					20.6					20.9					19.6					18.4					18.5					20.5					21.1					19.9					18.9					#####				
Integrated Utilities <sup>(3)</sup>								Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																							
EXC	Exelon	43.2	Buy	\$53	\$44.70	3.2%	45%	967	3.09	3.16	3.25	3.17	3.21	14.5	14.1	13.7	14.1	13.9	3.12	3.15	3.17	3.15	3.25	14.3	14.2	14.1	14.2	13.8																																							
PEG	PSEG	26.0	Buy	\$69	\$51.48	3.7%	58%	505	3.13	3.28	3.49	3.61	3.83	16.5	15.7	14.8	14.3	13.4	3.10	3.26	3.54	3.65	3.80	16.6	15.8	14.5	14.1	13.5																																							
Average								3.4%					51%					15.5					14.9					14.2					14.2					13.7					15.5					15.0					14.3					14.1					13.7				
Independent Power Producers (IPPs) <sup>(4)</sup>								Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA																																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																							
NRG	NRG Energy	11.4	Buy	\$51	\$39.40	0.3%	0%	290	2,373	1,975	1,858	1,900	1,900	8.5	9.1	9.4	8.9	8.9	1,770	2,013	1,842	1,877	-	9.5	8.3	8.7	8.8	NA																																							
VST	Vistra Energy	11.8	Buy	\$37	\$23.46	2.1%	0%	504	2,800	3,307	3,355	3,402	3,402	8.0	6.9	6.7	6.4	6.2	2,761	3,325	3,227	3,208	-	7.9	6.4	6.2	5.8	NA																																							
Average													8.3					8.0					8.0					7.7					7.5					8.7					7.3					7.4					NA					NA									
Multi-Industry Utilities <sup>(5)</sup>								Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																							
CNP	CenterPoint	14.4	Buy	\$33	\$28.79	4.1%	68%	501	1.58	1.72	1.82	1.92	2.02	18.2	16.7	15.9	15.0	14.2	1.58	1.69	1.81	1.92	-	18.2	17.0	15.9	15.0	-																																							
D	Dominion	53.8	Buy	\$82	\$71.51	5.1%	86%	752	4.02	4.27	4.49	4.76	5.18	17.8	16.8	15.9	15.0	13.8	4.08	4.28	4.49	4.67	4.78	17.5	16.7	15.9	15.3	15.0																																							
DTE	DTE Energy	20.0	Buy	\$129	\$109.62	3.4%	60%	182	6.40	6.32	6.84	7.34	7.70	17.1	17.4	16.0	14.9	14.2	6.31	6.23	6.56	6.98	7.34	17.4	17.6	16.7	15.7	14.9																																							
NEE	NexEra	82.3	Buy	\$205	\$172.28	2.9%	58%	478	7.83	8.63	9.19	9.91	10.52	22.0	20.0	18.7	17.4	16.4	7.75	8.39	9.01	9.77	10.65	22.2	20.5	19.1	17.6	16.2																																							
OGE	OGE Energy	7.8	Neutral	\$41	\$39.00	3.9%	70%	200	2.06	2.14	2.30	2.41	2.51	18.9	18.2	17.0	16.2	15.5	2.07	2.15	2.31	2.42	-	18.8	18.2	16.9	16.1	-																																							
SRE	Sempra Energy	30.2	Buy	\$133	\$110.44	3.5%	64%	274	5.47	6.13	7.29	7.60	7.96	20.2	18.0	15.1	14.5	13.9	5.46	6.08	7.23	7.58	7.80	20.2	18.2	15.3	14.6	14.2																																							
Average								3.8%					68%					19.0					17.8					16.4					15.5					14.7					19.1					18.0					16.6					15.7					15.1				
Other								Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings																																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																							
AWK	American Water Works	16.0	Neutral	\$96	\$88.84	2.2%	54%	181	3.30	3.61	3.96	4.27	4.60	26.9	24.6	22.4	20.8	0.0	3.30	3.57	3.87	4.19	4.58	26.9	24.9	23.0	21.2	19.4																																							
								Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA																																												
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (20E) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E																																							
CWEN	Cleanway Energy	3.6	Neutral	\$17	\$16.92	7.8%	NA	183	1,039	1,069	1,116	1,159	1,159	9.1	9.0	9.0	8.6	9.0	998	1,095	1,152	-	-	8.9	8.6	8.1	-	-																																							
NEP	NexEra Energy Partners	2.4	Buy	\$56	\$43.68	4.7%	NA	56	1,106	1,393	1,560	1,811	1,811	9.8	8.5	8.1	7.9	0.0	922	1,124	1,269	1,464	NA	11.8	10.5	10.0	9.8	NA																																							

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Share Price Performance (Year-to-Date)

Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.
- (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).
- (3) Integrated utilities own and operate regulated T&D franchises, as well as unregulated power generation with commodity exposure.
- (4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.
- (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC			
FE	1/22-1/23	Boston/NYC			
D	2/25-2/26	Boston/NYC			
WEC	2/27-2/28	West Coast			
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			
ALE	4/2-4/4	TBD			
PEG	6/24-6/25	Midwest			

**MORE TO BE ADDED...**

## Guggenheim-Hosted Commissioner Roundtable





### Guggenheim Policy Series

Equity Research | Corporate Access

## SAVE THE DATE: Guggenheim Hosted Commissioner Roundtable Event

**Date & Time**  
Wednesday, January 23, 2019  
10:00am – 11:30am ET

**Location**  
Guggenheim Securities  
330 Madison Ave.  
32nd Floor  
New York, NY 10017

**Commissioner Participants**  
*\*Below Commissioners are confirmed, more will be added over the next two weeks*  
**Jay Balasbas**, Commissioner, Washington Utilities and Transportation Commission  
**Tricia Pridemore**, Commissioner, Georgia Public Service Commission

**Hosting Analyst**  
**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities](#)
2. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
3. [Guggenheim's 2018 EEI Summary](#)
4. [Guggenheim EEI Takeaways - Day 3](#)
5. [Guggenheim EEI Takeaways - Day 2](#)
6. [Guggenheim EEI Takeaways - Day 1](#)
7. [Guggenheim EEI - Investor Question Bank](#)
8. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
9. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
10. [Coal/Nuclear: Will Politics "Trump" Reality](#)
11. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
12. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
13. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
14. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
15. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
16. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
17. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
18. [Guggenheim EEI Takeaways - Day 1](#)
19. [Guggenheim EEI Takeaways - Day 2](#)
20. [Guggenheim EEI Takeaways - Day 3](#)
21. [Utility and IPP 3Q17 Model Sweep](#)
22. [DOE Texas Tango – Will FERC Dance?](#)
23. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
24. [AGA Conference Highlights and Management Meeting Takeaways](#)
25. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
26. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
27. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
28. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
29. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
2. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
3. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
4. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
5. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
6. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
7. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
8. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
9. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
10. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
11. [PCG - Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
12. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
13. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
14. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
15. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
16. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
17. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
18. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
19. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
20. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
21. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
22. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
23. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)

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24. VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story
25. NJR - Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...
26. PCG-"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire
27. PEG Analyst Day: Solid Analyst Day Left No Surprises - Steady As She Goes with Upside Generally Within Expectations
28. PCG - 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E - Precursor for More Damaging Results to Come?
29. NEE / SO: Great Minds Think Alike - This Deal Makes a Lot of Sense For Everyone, with Room for More
30. FE - "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest
31. D - Southern Charming on Madison Avenue...Any Bargain Shoppers?
32. ALE Management Roadshow - Solid Growth; Pieces Are Fitting Together - No...Not a Willing Seller
33. PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.
34. CNP/VVC - Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug
35. PNW NDR - Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point
36. VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \$37
37. ETR Mgmt. Roadshow - This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over
38. WEC NDR - The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court
39. NRG - Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend
40. DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"
41. CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" (UP) in Michigan? We May be at an Inflection Point
42. SRE- "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential
43. VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan
44. EIX - Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In
45. AEP - Upgrading to NEUTRAL on Balancing Risks - Wind Catcher a Nice Have but Now Pure Upside

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## Rating and Price Target History for: Duke Energy Corporation (DUK) as of 01-07-2019



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Rating and Price Target History for: Exelon Corporation (EXC) as of 01-07-2019



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Rating and Price Target History for: NextEra Energy, Inc. (NEE) as of 01-07-2019



Created by: BlueMatrix

Rating and Price Target History for: PG&E Corporation (PCG) as of 01-07-2019



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SELL	7	1.90%	0	0.00%

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## GUGGENHEIM

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212 518 5862**Constantine Lednev, Associate**constantine.lednev@guggenheimpartners.com  
212 651 0847**The Guggenheim Daily Transmission: 2019 Utility Outlook, PCG, NJR, EXC/PEG, ISO-NE****What's New?****2019 Utility Outlook: We Didn't Hear A Bell... "Nothing's Over 'Til It's Over;" One More Round for Utilities (see our note [HERE](#))****PCG** – Media reports potential sale of PCG gas business, bankruptcy being explored**NJR** – Adelphia Gateway project receives favorable FERC Environmental Assessment**EXC/PEG** – Peach Bottom diesel gen failure causes increased NRC scrutiny**ISO-NE** – Report finds offshore wind would have provided significant cost savings during 2017-2018 holiday cold snap

Ticker	Price	Rating
EXC	44.62	Buy
PCG	24.40	Neutral
NJR	45.26	Sell
PEG	51.37	Buy

**PCG – Media reports potential sale of PCG gas business, bankruptcy being explored**

- Multiple news agencies (see [HERE](#) and [HERE](#)) are reporting PCG is contemplating a sale of the gas business or bankruptcy as the company faces potential liabilities from the 2017-2018 wildfires.
- PCG reportedly could also sell key real estate ownership including its San Francisco headquarters.

**Guggenheim takeaway:** The PCG gas business is a relatively small portion of the overall business, with 2018 estimated rate base of \$3.8B out of \$36.8B for the consolidated businesses (electric distribution, FERC transmission and gas transmission and storage). Assuming earnings potential of \$3.8B of rate base at the currently allowed 10.25% ROE and 52% equity ratio, the gas business represents ~\$0.39/sh of earnings power. Using our baseline utility multiple of 17x P/E and a 4x gas utility spread (premium), the business could potentially be worth \$4.3B excluding M&A premium and/or regulatory risk discount. Regarding bankruptcy, we do have a call with the company soon though the leaked article came at an interesting time when policy makers are gathering in CA.

**NJR – Adelphia Gateway project receives favorable FERC Environmental Assessment**

- "The finding of no significant impact" for the 84 mile oil to gas conversion project leaves the FERC Certificate Order remaining, with the project expected to be in service this year.
- Release available [HERE](#).

**Guggenheim takeaway:** Very much as expected given both mgmt.'s past timeline discussions and the low-impact nature of the Brownfield Adelphia project. As a reminder we model Adelphia contributing ~\$0.09/share in its first full year of operation, with the pipe going into service towards the end of this year.

**EXC/PEG – Peach Bottom diesel gen failure causes increased NRC scrutiny**

- Peach Bottom nuclear plan (co-owned by EXC/PEG) failed an NRC mandated diesel generator test in June and NRC has issued a violation notice.
- The generator is one of four at the site used for backup power, with regulators previously finding issues on at least two of the four diesel gens.
- NRC will now review more closely EXC's root cause investigation.

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- EXC is the operator of the plant with PEG as co-owner and EXC has applied for 20 year extension operating licenses at Peach Bottom to 2053 and 2054 for its two units.

**Guggenheim takeaway:** *This is not a major event for the operations of PB, but it demonstrated the heightened levels of scrutiny that nuclear generators face, which contribute to the high fixed and operating costs at nuclear facilities.*

**ISO-NE – Report finds offshore wind would have provided significant cost savings during 2017-2018 holiday cold snap**

- A 1600MW farm would have saved the region ~\$80mm in production costs and reduced LMPs by ~\$12/MWh during the 13 day cold snap.
- Report created by the ISO New England System Planning Department “in response to a request from the Massachusetts Clean Energy Center (MassCEC) and using data provided by MassCEC.”
- Memo available [HERE](#).

**Guggenheim takeaway:** *Very interesting in the context of the fuel security argument, and similar to studies we have highlighted in ERCOT that show renewable generation coinciding well with peak demand (e.g. West Texas solar in ERCOT summers). In this case the windy New England winters could be a bountiful power harvest, with the RTO modeling capacity factors approaching 70% over several days. While 50MW+ scale wind farms remain several years away, data points like these are in our view very likely to slot into the broader fuel security debate going on in the region and at FERC.*

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Friday, January 04, 2019

Price as of Close Friday, January 04, 2019									Guggenheim										Consensus									
Regulated Electric Utilities <sup>(1)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend (NTM) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AEP	American Electric Power	36.2	Neutral	\$78	\$73.44	3.6%	\$0.59	493	3.93	4.17	4.44	4.71	4.93	18.7	17.6	16.5	15.6	14.9	3.94	4.12	4.38	4.63	4.90	18.6	17.8	16.8	15.9	15.0
ALE	ALLETE	3.8	Neutral	\$74	\$74.50	3.2%	\$0.60	51	3.34	3.71	4.01	4.20	4.46	22.3	20.1	18.6	17.7	16.7	3.38	3.63	3.92	4.10	-	22.1	20.5	19.0	18.2	-
AVA	Avista*	2.8	Neutral	\$42	\$42.15	3.7%	\$0.68	66	2.05	2.19	2.31	2.38	2.45	20.6	19.3	18.3	17.7	17.2	2.07	2.19	2.34	2.40	-	20.4	19.2	18.0	17.6	-
CMS	CMS Energy	13.8	Neutral	\$53	\$48.85	3.1%	\$0.57	263	2.35	2.50	2.69	2.88	3.08	20.8	19.5	18.2	17.0	15.9	2.34	2.50	2.68	2.86	3.05	20.9	19.5	18.2	17.1	16.0
DUK	Duke Energy	60.9	Buy	\$94	\$85.37	4.4%	\$0.72	713	4.78	5.00	5.26	5.57	5.91	17.8	17.1	16.2	15.3	14.4	4.75	4.97	5.24	5.53	5.75	18.0	17.2	16.3	15.4	14.8
ED	Consolidated Edison	23.8	Neutral	\$82	\$76.55	3.9%	\$0.64	311	4.25	4.36	4.61	4.79	4.95	18.0	17.6	16.6	16.0	15.5	4.29	4.33	4.54	4.72	-	17.9	17.7	16.9	16.2	-
EIX	Edison International*	19.0	Buy	\$69	\$58.42	4.5%	\$0.53	326	4.15	4.57	4.93	5.37	5.70	14.1	12.8	11.9	10.9	10.2	4.14	4.50	4.79	4.94	4.90	14.1	13.0	12.2	11.8	11.92
ES	Eversource Energy	20.2	Buy	\$72	\$64.09	3.3%	\$0.57	317	3.27	3.51	3.71	3.94	4.17	19.6	18.3	17.3	16.3	15.4	3.27	3.48	3.69	3.92	-	19.6	18.4	17.4	16.3	-
ETR	Entergy	15.4	Buy	\$96	\$84.80	4.5%	\$0.67	181	7.02	5.94	5.66	5.92	6.33	12.1	14.3	15.0	14.3	13.4	7.01	6.05	5.78	5.70	-	12.1	14.0	14.7	14.9	-
EVRG	Evergy	14.7	Buy	\$63	\$55.89	3.5%	\$0.60	263	2.63	2.93	3.27	3.42	3.58	21.2	19.1	17.1	16.3	15.6	2.56	2.95	3.29	3.43	-	21.8	18.9	17.0	16.3	-
FE	FirstEnergy	19.0	Buy	\$46	\$37.17	4.1%	\$0.58	511	2.56	2.57	2.63	2.81	3.02	14.5	14.4	14.1	13.3	12.3	2.53	2.54	2.52	2.71	-	14.7	14.6	14.7	13.7	-
LNT	Alliant Energy	10.2	Neutral	\$41	\$41.72	3.5%	\$0.61	236	2.18	2.24	2.37	2.50	2.69	19.1	18.6	17.6	16.7	15.5	2.16	2.25	2.39	2.51	2.67	19.3	18.6	17.4	16.6	15.6
PCG	PG&E Corporation*	12.7	Neutral	NA	\$24.40	0.0%	\$0.00	519	3.84	4.07	4.39	4.57	4.67	6.4	6.0	5.6	5.3	5.2	3.82	4.04	4.17	4.22	3.75	6.4	6.0	5.8	5.8	6.5
PNW	Pinnacle West	9.5	Neutral	\$89	\$84.74	3.5%	\$0.59	112	4.49	4.84	5.04	5.25	5.45	18.9	17.5	16.8	16.1	15.6	4.48	4.84	5.02	5.24	5.32	18.9	17.5	16.9	16.2	15.9
POR	Portland General Electric	4.0	Neutral	\$44	\$44.82	3.3%	\$0.59	89	2.32	2.43	2.54	2.68	2.75	19.3	18.4	17.6	16.7	16.3	2.34	2.45	2.56	2.71	-	19.1	18.3	17.5	16.5	-
PPL	PPL Corporation	20.8	Neutral	\$29	\$28.87	5.7%	\$0.64	720	2.36	2.44	2.61	2.74	2.85	12.2	11.8	11.1	10.5	10.1	2.36	2.43	2.55	2.68	2.82	12.2	11.9	11.3	10.8	10.24
SO	Southern Company	46.0	Neutral	\$44	\$44.71	5.2%	\$0.74	1029	3.07	3.05	3.15	3.31	3.46	14.6	14.7	14.2	13.5	12.9	3.04	3.02	3.12	3.23	-	14.7	14.8	14.3	13.9	-
WEC	WEC Energy	21.5	Buy	\$76	\$68.26	3.4%	\$0.62	316	3.32	3.50	3.73	3.98	4.26	20.6	19.5	18.3	17.2	16.0	3.33	3.51	3.74	3.96	4.20	20.5	19.5	18.3	17.2	16.3
*Average (Excl. EIX, PCG, PPL, SCG for PIE)						3.7%	58%		18.5	17.7	16.8	16.0	15.2											18.6	17.8	16.9	16.1	15.6
Regulated Gas Utilities <sup>(2)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (NTM) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NI	NISource	9.5	Buy	\$29	\$25.54	3.1%	53%	372	1.28	1.38	1.48	1.58	1.68	20.0	18.5	17.3	16.1	15.2	1.28	1.34	1.43	1.54	-	19.9	19.0	17.8	16.6	-
NJR	New Jersey Resources	4.0	Sell	\$39	\$45.26	2.6%	54%	89	2.74	2.01	2.19	2.36	2.54	16.5	22.5	20.6	19.2	17.8	2.74	2.01	2.14	2.31	-	16.5	22.5	21.1	19.6	-
NWN	NW Natural Gas	1.7	Sell	\$49	\$58.19	3.3%	73%	29	2.17	2.44	2.60	2.66	2.71	26.8	23.9	22.4	21.8	21.5	2.21	2.45	2.57	2.67	-	26.3	23.7	22.6	21.8	-
SR	Spire	3.7	Neutral	\$77	\$73.78	3.3%	62%	51	3.74	3.75	3.92	4.06	4.30	19.7	19.7	18.8	18.2	17.2	3.72	3.70	3.87	4.02	-	19.8	19.9	19.1	18.3	-
VVC	Vectren*	6.0	Neutral	\$72	\$71.97	2.7%	60%	83	2.89	3.09	3.27	3.47	3.71	24.9	23.3	22.0	20.7	19.4	2.88	3.05	3.27	3.47	-	25.0	23.6	22.0	20.7	-
*Average (Excl. VVC)						2.4%	48%		20.8	21.2	19.8	18.8	17.9											20.6	21.3	20.2	19.1	####
Integrated Utilities <sup>(3)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (NTM) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
EXC	Exelon	43.1	Buy	\$53	\$44.62	2.4%	32%	967	3.09	3.16	3.25	3.17	3.21	14.4	14.1	13.7	14.1	13.9	3.12	3.15	3.17	3.14	3.25	14.3	14.2	14.1	14.2	13.7
PEG	PSEG	26.0	Buy	\$59	\$51.37	3.7%	54%	505	3.13	3.28	3.49	3.60	3.83	16.4	15.7	14.7	14.2	13.4	3.10	3.26	3.54	3.63	3.80	16.6	15.8	14.5	14.1	13.5
Average						3.0%	43%		15.4	14.9	14.2	14.2	13.7											15.4	15.0	14.3	14.2	13.6
Independent Power Producers (IPPs) <sup>(4)</sup>									Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (NTM) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
NRG	NRG Energy	11.3	Buy	\$51	\$39.04	0.3%	0%	290	2,373	1,975	1,858	1,900	1,936	NA	NA	NA	NA	NA	1,770	2,004	1,842	1,878	-	9.4	8.2	8.6	8.6	NA
VST	Vistra Energy	11.6	Buy	\$37	\$23.07	2.2%	0%	504	2,800	3,307	3,355	3,402	3,654	8.0	6.8	6.6	6.4	5.7	2,763	3,321	3,232	3,202	-	7.8	6.3	6.1	5.6	NA
Average									8.0	6.8	6.6	6.4	5.7											8.6	7.3	7.4	NA	NA
Multi-Industry Utilities <sup>(5)</sup>									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (NTM) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CNP	CenterPoint	14.4	Buy	\$33	\$28.68	4.1%	64%	501	1.58	1.72	1.82	1.92	2.02	18.1	16.7	15.8	14.9	14.2	1.58	1.69	1.81	1.90	-	18.1	17.0	15.8	15.1	-
D	Dominion	54.3	Buy	\$82	\$72.21	5.1%	82%	752	4.02	4.27	4.49	4.76	5.18	17.9	16.9	16.1	15.2	13.9	4.08	4.28	4.49	4.64	4.78	17.7	16.9	16.1	15.5	15.1
DTE	DTE Energy	19.9	Buy	\$129	\$109.99	3.4%	55%	182	6.40	6.32	6.84	7.34	7.70	17.2	17.4	16.1	15.0	14.3	6.31	6.23	6.56	6.98	7.34	17.4	17.7	16.8	15.8	15.0
NEE	NexEra	82.5	Buy	\$205	\$172.53	2.7%	51%	478	7.83	8.63	9.19	9.91	10.52	22.0	20.0	18.8	17.4	16.4	7.75	8.38	9.00	9.78	10.65	22.3	20.6	19.2	17.6	16.2
OGE	OGE Energy	7.8	Neutral	\$41	\$39.21	3.9%	67%	200	2.06	2.14	2.30	2.41	2.51	19.0	18.3	17.1	16.3	15.6	2.07	2.15	2.31	2.42	-	18.9	18.3	17.0	16.2	-
SRE	Sempra Energy	30.2	Buy	\$133	\$110.46	3.5%	53%	274	5.47	6.13	7.29	7.60	7.96	20.2	18.0	15.2	14.5	13.9	5.46	6.08	7.23	7.58	7.80	20.2	18.2	15.3	14.6	14.2
Average						3.7%	62%		19.1	17.9	16.5	15.6	14.7											19.1	18.1	16.7	15.8	15.1
Other									Earnings Per Share					Price / Earnings					Earnings Per Share					Price / Earnings				
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (NTM) Yield	Payout	Diluted Shares	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
AWK	American Water Works	16.2	Neutral	\$96	\$89.79	2.1%	48%	181	3.30	3.61	3.96	4.27	4.60	27.2	24.9	22.7	21.0	19.5	3.30	3.57	3.87	4.19	4.58	27.2	25.2	23.2	21.4	19.6
		Market (\$bn)	Rating	Target Price	Current Price	Dividend (NTM) Yield	Payout	Diluted Shares	Adjusted EBITDA					EV / EBITDA					Adjusted EBITDA					EV / EBITDA				
									'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E	'18E	'19E	'20E	'21E	'22E
CWEN	Cleanway Energy	3.7	Neutral	\$17	\$17.63	7.5%	NA	183	1,039	1,069	1,116	1,159	1,224	9.3	9.2	9.2	8.7	8.6	998	1,095	1,152	-	-	9.0	8.7	8.2	-	-
NEP	NexEra Energy Partners	2.5	Buy	\$56	\$44.82	4.3%	NA	56	1,106	1,393	1,560	1,811	1,981	10.0	8.6	8.2	7.9	0.0	922	1,119	1,265	1,471	NA					

POWER, UTILITIES & ALTERNATIVE ENERGY

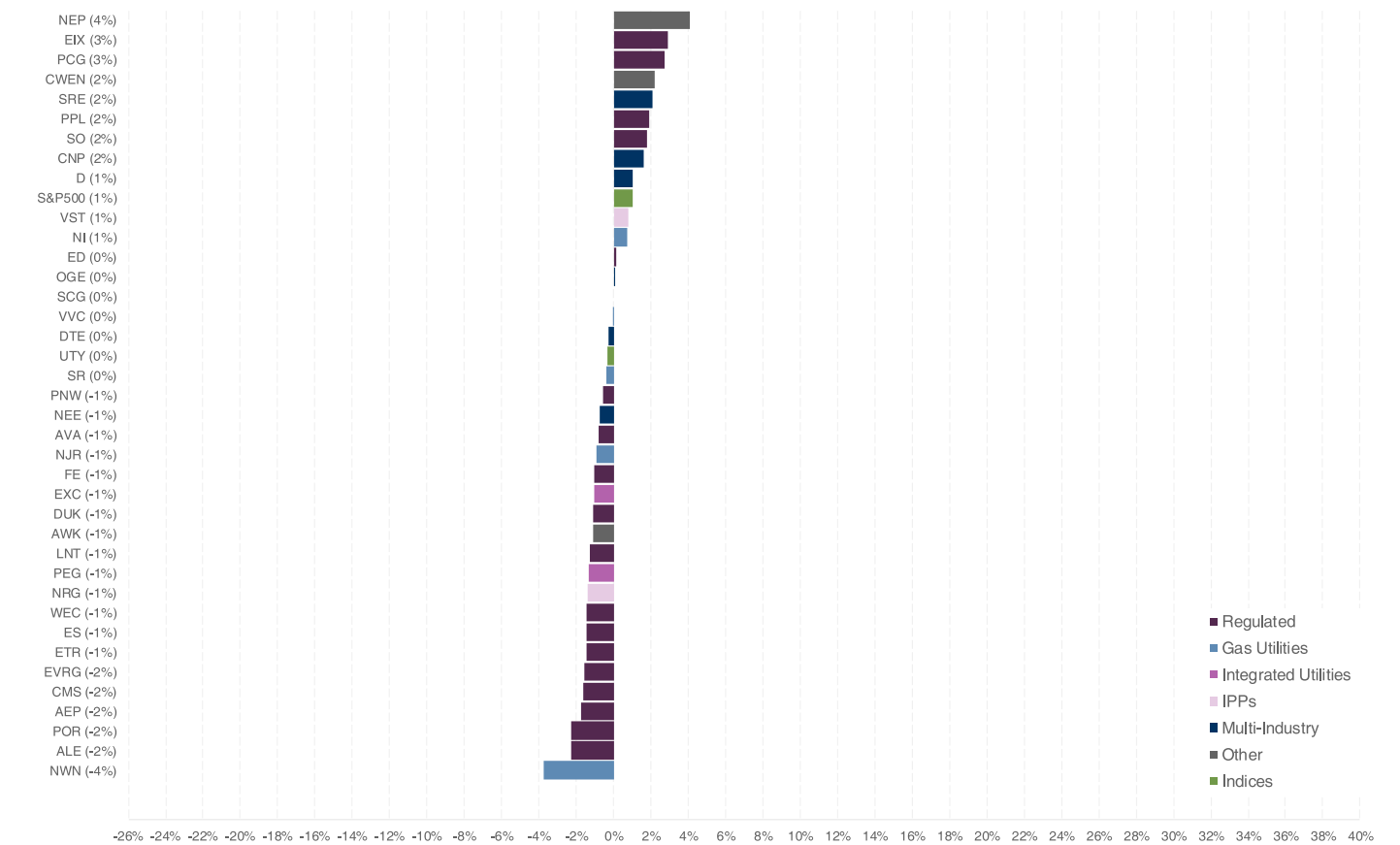
January 7, 2019

## Share Price Performance (Year-to-Date)

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Year-to-Date Share Price Performance



**Note: We are currently restricted on SII due to the firm's investment banking activities**

- (1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.  
 (2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).  
 (3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.  
 (4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.  
 (5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC			
FE	1/22-1/23	Boston/NYC			
D	2/25-2/26	Boston/NYC			
WEC	2/27-2/28	West Coast			
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			
ALE	4/2-4/4	TBD			
PEG	6/24-6/25	Midwest			

**MORE TO BE ADDED...**

## Guggenheim-Hosted Commissioner Roundtable





### Guggenheim Policy Series

Equity Research | Corporate Access

## SAVE THE DATE: Guggenheim Hosted Commissioner Roundtable Event

**Date & Time**  
Wednesday, January 23, 2019  
10:00am – 11:30am ET

**Location**  
Guggenheim Securities  
330 Madison Ave.  
32nd Floor  
New York, NY 10017

**Commissioner Participants**  
*\*Below Commissioners are confirmed, more will be added over the next two weeks*  
**Jay Balasbas**, Commissioner, Washington Utilities and Transportation Commission  
**Tricia Pridemore**, Commissioner, Georgia Public Service Commission

**Hosting Analyst**  
**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
2. [Guggenheim's 2018 EEI Summary](#)
3. [Guggenheim EEI Takeaways - Day 3](#)
4. [Guggenheim EEI Takeaways - Day 2](#)
5. [Guggenheim EEI Takeaways - Day 1](#)
6. [Guggenheim EEI - Investor Question Bank](#)
7. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
8. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
9. [Coal/Nuclear: Will Politics "Trump" Reality](#)
10. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
11. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
12. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
13. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
14. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
15. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
16. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
17. [Guggenheim EEI Takeaways - Day 1](#)
18. [Guggenheim EEI Takeaways - Day 2](#)
19. [Guggenheim EEI Takeaways - Day 3](#)
20. [Utility and IPP 3Q17 Model Sweep](#)
21. [DOE Texas Tango – Will FERC Dance?](#)
22. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
23. [AGA Conference Highlights and Management Meeting Takeaways](#)
24. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
25. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
26. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
27. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
28. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
2. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
3. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
4. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
5. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
6. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
7. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
8. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
9. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
10. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
11. [PCG – Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
12. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
13. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
14. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
15. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
16. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
17. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
18. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
19. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
20. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
21. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
22. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
23. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
24. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)

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25. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
26. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
27. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
28. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
29. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
30. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
31. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
32. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
33. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
34. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
35. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
36. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
37. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
38. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
39. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
40. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
41. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
42. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
43. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)
44. [EIX – Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In](#)
45. [AEP – Upgrading to NEUTRAL on Balancing Risks – Wind Catcher a Nice Have but Now Pure Upside](#)

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## ANALYST CERTIFICATION

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## Rating and Price Target History for: Exelon Corporation (EXC) as of 01-04-2019



Created by: BlueMatrix

## Rating and Price Target History for: New Jersey Resources Corp. (NJR) as of 01-04-2019

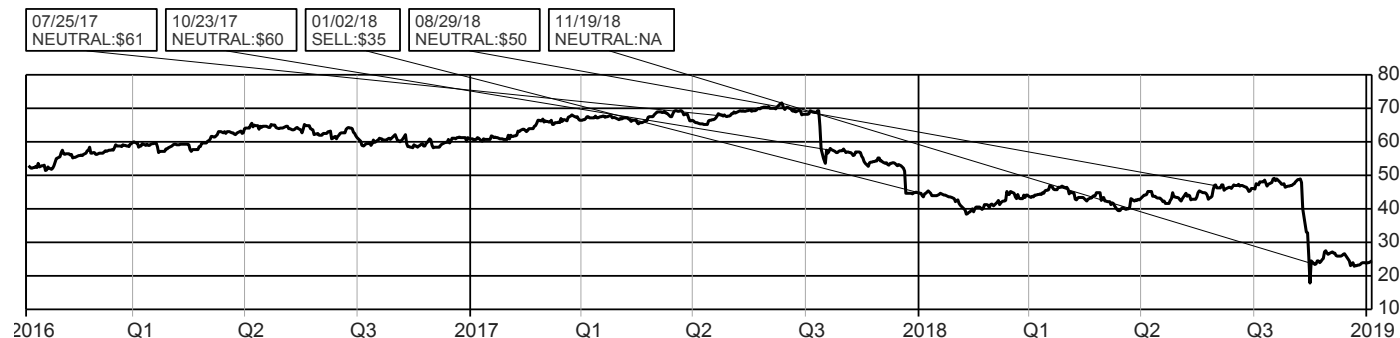


Created by: BlueMatrix

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 7, 2019

## Rating and Price Target History for: PG&amp;E Corporation (PCG) as of 01-04-2019



Created by: BlueMatrix

## Rating and Price Target History for: Public Service Enterprise Group Inc. (PEG) as of 01-04-2019



Created by: BlueMatrix

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**BUY (B)** - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

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Price targets are assigned for Buy- and Sell-rated stocks. Price targets for Neutral-rated stocks are provided at the discretion of the analyst.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

January 7, 2019

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Rating Category	Count	Percent	IB Serv./ Past 12Mos.	
			Count	Percent
BUY	213	57.72%	23	10.80%
NEUTRAL	150	40.65%	7	4.67%
SELL	6	1.63%	0	0.00%

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7 January 2019

United States

## EQUITIES

EXC US Outperform  
Price (at 04:00, 05 Jan 2019 GMT) US\$44.62

Valuation	US\$	48.50
- PER		
12-month target	US\$	48.50
12-month TSR	%	+12.0
GICS sector		Utilities
Market cap	US\$m	43,148
30-day avg turnover	US\$m	248.2
Number shares on issue	m	967.0

## Investment fundamentals

Year end 31 Dec		2017A	2018E	2019E	2020E
EPS adj	US\$	2.60	3.14	3.22	3.21
EPS adj growth	%	-3.0	20.8	2.4	-0.2
PER adj	x	17.1	14.2	13.9	13.9
Total DPS	US\$	1.29	1.38	1.45	1.52
Total div yield	%	2.9	3.1	3.2	3.4

## EXC US rel S&amp;P 500 performance, &amp; rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, January 2019

(all figures in USD unless noted)

## Exelon Corp (EXC US)

### Capacity/energy upside in IL/PA

## Key points

- ▶ Hedges should protect EXC's earnings against the unseasonably warm winter.
- ▶ Upside to IL capacity revenues and IL/PA energy revenues
- ▶ We reiterate Outperform and our TP remains at US\$48.50.

## Event

- Cal '19 ATC power prices for PJM West/East are down 7%/10% over the last month due to an unseasonably warm winter, with weather forecasts calling for a high of 54F today in Chicago. Yet EXC should be highly hedged for 1Q19 (and Cal '19) and the hedges coupled with upside to EXC's power earnings from pending reforms in PJM's capacity/energy markets keep us optimistic about ExGen.

## Impact

- **Utility growth:** We project a 7.1% EPS CAGR for utilities less parent for '18-'21 but we are hoping for a further boost to this above-average growth on the 4Q18 earnings call through a combination of higher capex and lower parent-level debt.
- **PJM capacity market reform – resource carve out in IL:** If FERC approves EXC's Resource Specific Carve Out and IL elects to remove its subsidized nuclear plants from the PJM capacity auction, both of which seem probable to us, the IL Legislature will need to pass a new bill to allow EXC's nukes to collect capacity payments outside of the PJM capacity market. We had seen it as a downside risk to EXC but now we see the new legislation as a way to get all of EXC's nuclear plants in IL excluded from the PJM auction rather than just Quad Cities. Exelon's Dresden and Byron nuclear plants (~4,600MW in total) didn't clear in the last PJM capacity auction so our estimates reflect no capacity revenues for these plants. Yet, we see ~US\$320m in annual upside for ExGen here, with capacity revenues.

## Earnings and target price revision

- We've tweaked our estimates to reflect changes in forward power/gas curves and to remove the FES retail book, which now is unlikely to be acquired by EXC. Our new '18/'19/'20/'21 EPS estimates are US\$3.14/3.22/3.21/3.31 vs US\$3.14/3.24/3.26/3.30 previously. Our TP remains at US\$48.50 and it's based on our 2021 SOTP (Fig. 1) vs previously our 2020 SOTP.

## Price catalyst

- 12-month price target: US\$48.50 based on a Sum of Parts methodology.
- Catalyst: 4Q18 earnings call – updated utility growth, 2021 gross margins for ExGen; FERC's decision on PJM capacity market reform (late January); IL Legislature's decision on dedicating all of EXC's nuclear plants in the state to load; FERC's decision on Fast Start.

## Action and recommendation

- We reiterate our Outperform rating.

## Analysts

Macquarie Capital (USA) Inc.

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Please refer to page 4 for important disclosures and analyst certification, or on our website  
[www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

Fig 1 EXC: SOTP valuation (US\$ except FCF in US\$m)

Base case	2021 FCF (50%)	FCF yield	Equity value per share
ExGen	776	8.0%	10.01
	<b>2021 EPS</b>	<b>PE multiple</b>	
Regulated utilities less parent	2.14	17.0x	36.29
<b>Total per share equity value</b>			<b>46.29</b>
<b>Upside case – IL nuclear carve out + Fast Start</b>	<b>2021 FCF (50%)</b>	<b>FCF yield</b>	<b>Equity value per share</b>
ExGen	1,279	9.0%	14.65
	<b>2021 EPS</b>	<b>PE multiple</b>	
Regulated utilities less parent	2.14	17.0x	36.29
<b>Total per share</b>			<b>50.94</b>

Source: Macquarie Capital (USA), January 2019

Fig 2 EXC: EPS breakdown by segment (US\$)

	2017	2018E	2019E	2020E	2021E
Regulated utilities	1.77	1.95	2.05	2.20	2.32
ExGen	1.03	1.40	1.35	1.19	1.16
Parent	(0.19)	(0.21)	(0.19)	(0.18)	(0.17)
<b>Total EPS</b>	<b>2.60</b>	<b>3.14</b>	<b>3.22</b>	<b>3.21</b>	<b>3.31</b>

Source: Company data, Macquarie Capital (USA), January 2019

Fig 3 EXC: Financial projections (US\$m except per share data)

	2017	2018E	2019E	2020E	2021E
EBITDA	9,060	9,002	9,361	9,466	9,754
EBIT	5,232	5,397	5,562	5,550	5,668
PBT	3,822	4,071	4,153	4,129	4,241
PAT	2,471	3,047	3,121	3,114	3,203
S/O (m)	949	969	970	970	970
<b>EPS</b>	<b>\$2.60</b>	<b>\$3.14</b>	<b>\$3.22</b>	<b>\$3.21</b>	<b>\$3.30</b>
<b>DPS</b>	<b>\$1.29</b>	<b>\$1.38</b>	<b>\$1.45</b>	<b>\$1.52</b>	<b>\$1.60</b>
Current assets	9,312	9,275	9,238	9,250	9,234
Property, plant, and equipment	62,321	66,811	69,962	73,096	75,985
<b>Total assets</b>	<b>95,714</b>	<b>100,542</b>	<b>104,030</b>	<b>107,550</b>	<b>110,797</b>
Current liabilities	7,267	7,270	7,236	7,236	7,103
Long-term debt	21,820	24,843	26,698	28,628	30,227
Shareholders' equity	34,531	35,732	36,799	37,789	38,969
<b>Total liabilities and equity</b>	<b>95,714</b>	<b>100,542</b>	<b>104,030</b>	<b>107,550</b>	<b>110,797</b>
Net income	2,471	3,047	3,121	3,114	3,203
Operating cashflow	6,749	7,291	7,523	7,618	7,947
Investing cashflow	(6,375)	(7,955)	(6,950)	(7,050)	(6,975)
Dividends paid	(1,221)	(1,333)	(1,401)	(1,471)	(1,545)
Financing cashflow	(374)	664	(573)	(568)	(972)
Change in cash	0	0	0	0	0
Cash at end of period	700	700	700	700	700

Source: Company data, Macquarie Capital (USA), January 2019

## Macquarie Quant Alpha Model Views

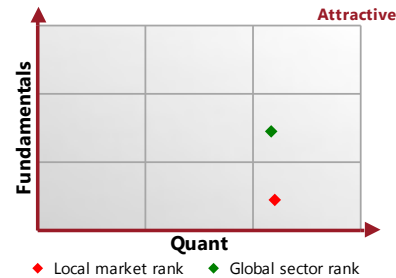
The Quant View page below has been derived from models that are developed and maintained by Sales and Trading personnel at Macquarie. The models are not a product of the Macquarie Research Department.

The quant model currently holds a reasonably positive view on Exelon Corp. The strongest style exposure is Earnings Momentum, indicating this stock has received earnings upgrades and is well liked by sell side analysts. The weakest style exposure is Quality, indicating this stock is likely to have a weaker and less stable underlying earnings stream.

**125/449**

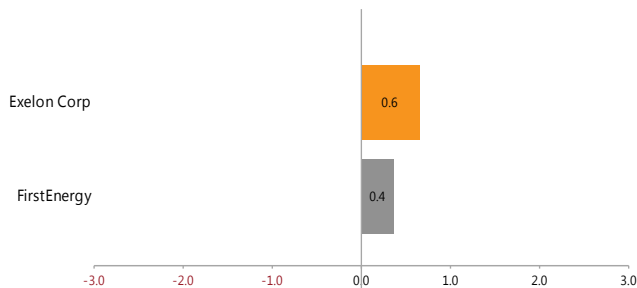
Global rank in  
Utilities

% of BUY recommendations 57% (12/21)  
Number of Price Target downgrades 2  
Number of Price Target upgrades 2



### Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



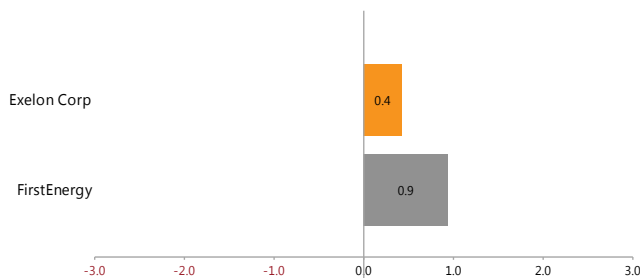
### Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



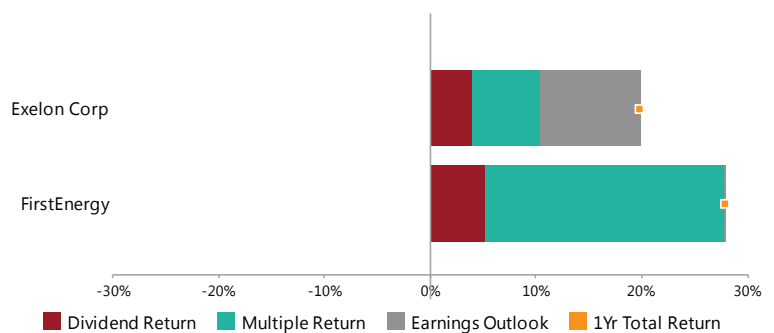
### Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



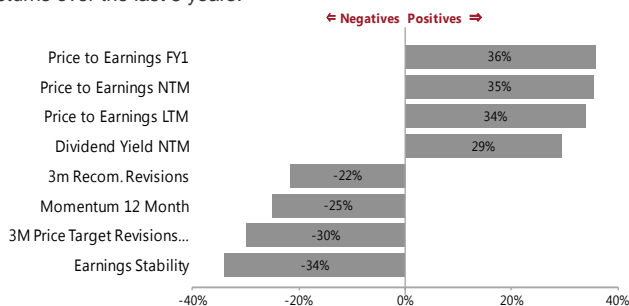
### Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



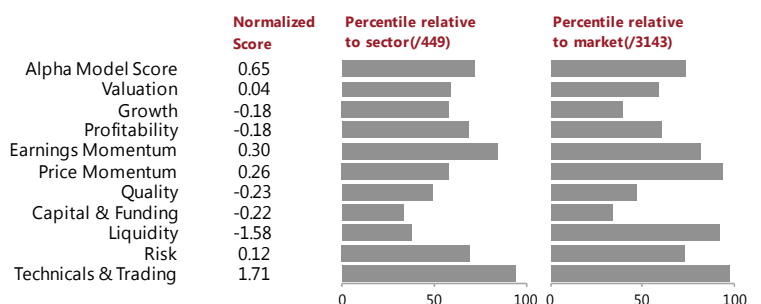
### What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



### How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group ([cpq@macquarie.com](mailto:cpq@macquarie.com))

## Macquarie Research

Exelon Corp (EXC US)

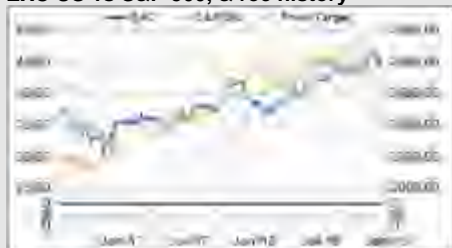
## Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions
<p><b>Macquarie – Asia, USA, Canada, Europe and Mazi Macquarie (SA):</b>            Outperform – expected return &gt;10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie - Australia/New Zealand</b>            Outperform – expected return &gt;10%            Neutral – expected return from 0% to 10%            Underperform – expected return &lt;0%</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>This is calculated from the volatility of historical price movements.</p> <p><b>Very high–highest risk</b> – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p><b>High</b> – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p><b>Medium</b> – stock should be expected to move up or down at least 30–40% in a year.</p> <p><b>Low–medium</b> – stock should be expected to move up or down at least 25–30% in a year.</p> <p><b>Low</b> – stock should be expected to move up or down at least 15–25% in a year.            * Applicable to select stocks in Asia/Australia/NZ/Canada</p> <p><b>Recommendations</b> – 12 months  <b>Note:</b> Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>All "Adjusted" data items have had the following adjustments made:            Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives &amp; hedging, IFRS impairments &amp; IFRS interest expense            Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends &amp; minority interests</p> <p><b>EPS</b> = adjusted net profit / efpowa*  <b>ROA</b> = adjusted ebit / average total assets  <b>ROA Banks/Insurance</b> = adjusted net profit / average total assets  <b>ROE</b> = adjusted net profit / average shareholders funds  <b>Gross cashflow</b> = adjusted net profit + depreciation            *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

## Recommendation proportions – For quarter ending 31 December 2018

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	53.56%	57.51%	47.06%	48.65%	69.08%	51.23%	(for global coverage by Macquarie, 4.12% of stocks followed are investment banking clients)
Neutral	31.09%	30.24%	34.12%	46.22%	26.32%	39.41%	(for global coverage by Macquarie, 1.92% of stocks followed are investment banking clients)
Underperform	15.36%	12.25%	18.82%	5.14%	4.61%	9.36%	(for global coverage by Macquarie, 0.47% of stocks followed are investment banking clients)

## EXC US vs S&amp;P 500, &amp; rec history



(all figures in USD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.  
 Source: FactSet, Macquarie Research, January 2019

## 12-month target price methodology

EXC US: US\$48.50 based on a Sum of Parts methodology

## Company-specific disclosures:

Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

Date	Stock Code (BBG code)	Recommendation	Target Price
19-Nov-2018	EXC US	Outperform	US\$48.50
02-Nov-2018	EXC US	Outperform	US\$47.00
24-Sep-2018	EXC US	Outperform	US\$45.50
07-Aug-2018	EXC US	Outperform	US\$45.00
11-Jul-2018	EXC US	Outperform	US\$44.50
14-Nov-2017	EXC US	Outperform	US\$44.00
11-Aug-2016	EXC US	Outperform	US\$41.00

## Target price risk disclosures:

**EXC US:** Our US\$48.50 price target is based on our '21 SOP valuation which includes base case merchant power projections and upside case projections for the PJM power market (fast start reform). Risks to the downside include lower power prices in PJM and higher interest rates. Risks to the upside include higher capacity payments in NJ and higher energy prices in PJM from the fast start reform.

## Analyst certification:

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## Americas Utilities

## 2019 Outlook: Deep value in California, shrink to grow, and renewables ahead; EIX to Buy; EVRG/EXC to Sell

**We remain neutral on utilities as the sector now trades just below peak absolute multiples, but we expect little multiple compression in 2019 as the yield curve flattens and the 10-year remains below 3.0%-3.5%.** The group also appears expensive on a relative basis to the S&P and IG bond yields. That said, EPS growth appears normal for many and balance sheets generally improved after a wave of equity issuances in 1H18 following the passage of tax reform.

**We highlight three key themes to watch in 2019 as well as a couple additional ratings changes:**

- **Deep value in California**, as we continue to view SRE (Buy, on the CL) as a top pick among utilities and upgrade EIX from Neutral to Buy and while remaining Neutral, see significant upside scenarios to our target price for PCG - recognizing these two stocks will likely prove more volatile than regulated utility peers. We believe recent commentary from state officials regarding keeping utility balance sheets healthy implies a potential cost sharing of recent wildfire related liabilities. For PCG and EIX, we expect multi-billion dollar equity issuances to occur, which we view as largely priced in at current levels. We note few consensus estimates exist for PCG/EIX in 2022, but on 2020 FactSet consensus PCG/EIX trade at ~6.5x/11.5x vs peers at ~17x.
- **We enter the late innings of our “Shrink to grow” theme** with (1) FE finalizing its transformation in to a pure-play regulated utility, (2) NRG finishing asset divestitures and now focusing on capital allocation, and (3) SRE remaining in the early stages of its shrink to grow process. We reiterate our Buy rating on all three companies (with SRE on the CL) and highlight that we remain positive on NRG, given strong free cash flow and potential, after completing asset sales, to buyback over \$2b or ~20% of the current market cap in the next 2 years, with related announcements potentially coming at 4Q2018 earnings.
- **Renewables ahead again** - we expect renewable development to continue accelerating in 2019 as we forecast 200+ GWs of new renewables by 2030. We highlight NEE (Buy, on the CL), AGR (Neutral), and CWEN (Neutral) as best positioned to benefit from renewable development in 2019.

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**We downgrade EVRG and EXC from Neutral to Sell largely on relative valuation — with EXC at a P/E discount to the group, but not on a SOTP basis, and EVRG at a premium.** While we continue to view (1) EXC's regulated utility growth combined with merchant FCF generation and (2) EVRG's 60mn share repurchase program positively, we now see 2%/(1)% total return to our target price for EVRG/EXC - below peer averages of 8%/9%.

## PM Summary

**We remain largely neutral on our utilities coverage, despite increasing our baseline multiple to 17x (from 16x) as utilities traded off from near peak absolute multiples on FY2 and FY3 FactSet consensus EPS estimates – but still appear expensive relative to the S&P and Investment Grade (IG) bond yields.** We derive our baseline multiple by blending GS and consensus estimates for the S&P's 2019YE price and 2020E EPS, and then adjust the market multiple to reflect utilities' historic premium/(discount) to the market in different UST 10-year environments. Using GS economist estimates as well as Bloomberg consensus for 2019YE S&P price and 2020 S&P EPS implies a P/E multiple of ~17x at 2019YE. Blending the forward curve with the GS economist estimate for UST 10-year yields at 2019YE implies a ~3.25% 10-year yield in 12 months – at 3.25%, we expect utilities to trade in line with the broader market on a P/E multiple basis.

**We highlight three key themes to watch in 2019:**

- **We see deep value in California, as we upgrade EIX to Buy, get incrementally more positive on the longer term prospects for Neutral rated PCG, and continue to view SRE (Buy, on the CL) as a top pick.** We assume – as detailed in comments by state officials – that the CA legislature and CPUC will continue to support PCG in its current structure. Following significant underperformance of 15%/48% relative to the XLU since the 2018 wildfires, we now see risk/reward for EIX as attractive here and outline upside scenarios for PCG as well. We note few consensus estimates exist for PCG/EIX in 2022, but on 2020 FactSet consensus PCG/EIX trade at ~6.5x/11.5x vs peers at ~17x.
- **Late innings of “Shrink to grow” for FE and NRG, with SRE earlier in the process.** The focus for NRG shifts to capital allocation and cost management, and we note the company intends to issue capital allocation guidance (\$2bn+ over 2019/2020) at 4Q2018 earnings. FE, having finalized separation from FES - now enters the last stage of becoming a fully regulated utility, and we expect multiple expansion as a result. SRE - having recently announced an agreement to sell most of its renewables portfolio and the intention to sell its natural gas storage assets - will now review its more substantial South America and Mexico businesses, with the company guiding to an update in 1Q2019. The final phase of SRE's plan includes a review of its LNG business, with the company guiding to an update on phase 3 in 1Q2020.
- **Renewable development should continue to accelerate towards our estimate of nearly 200 GWs or more of new utility scale and other renewables by 2030,** as the majority of our coverage gets involved. We see a handful of leaders across our coverage, including renewable developers (NEE and AGR, which maintain some of the largest portfolios of renewable capacity in the US) as well as the Regulated Utilities that operate in traditionally coal-heavy states (FE, NI, AEP) or states that are considering or already maintain particularly aggressive RPS targets (PNW, PCG, EIX). Interest in offshore wind development also continues to ramp, driven by current

outstanding RFPs and legislative mandates in the northeast, and we expect cost curves for both onshore and offshore wind - as well as solar - to decline, further improving the economics of renewable generation.

**We downgrade EVRG and EXC from Neutral to Sell on valuation.** While we continue to view EXC's regulated utility growth and merchant FCF generation positively, following ~11% outperformance relative to the XLU since the end of 1Q18, (1)% downside to our unchanged \$43, 12-month price target drives our downgrade. Similarly for EVRG, we see just 2% upside to our revised \$56, 12-month price target (vs peer average of 8%) and view the company's share buyback program - with guidance to repurchasing 60mn shares - as largely priced in. While we saw a relatively muted market reaction to the ~9.5mn shares bought back thus far, we acknowledge the potential tactical headwinds to our Sell rating from EVRG's share buyback program.

**Buy PCG June 2019 \$26 / \$31 call spreads, pay \$2.00 (9%, stock \$23.75) and EIX July 2019 \$60 calls (6%, stock \$56.22).**

For investors that are concerned about adding - or initiating new positions in either PCG or EIX, given uncertainty around how legislation around the California Wildfires might impact the companies we highlight potential options strategies. Compounding this uncertainty, our equity analyst sees even higher volatility for these regulated utilities in 2019 (i.e., PCG and EIX). Options can provide investors with a way to express bullish views with limited loss potential.

**Reversing just a portion of the underperformance since the 2018 California wildfires could result in substantial upside for option positions in PCG and EIX.**

The PCG call spread we recommend offers investors a potential 2.5-to-1 payout if shares trade to \$31 or higher by June 2019 options expiration. While that is 31% higher than today's price, \$31 is still 34% below November 2018 highs. Our equity analyst sees headwinds for PCG beyond just the impact from the Wildfires, so we do see merit in call spread structures over just owning calls outright. In fact, selling the \$31 call reduces the cost of the June 2019 \$26 call by over 40%. Call spread buyers risk losing premium paid if shares close at, or below, the lower strike price and cap their upside if shares trade above the higher strike price at expiration.

We recommend investors buy calls in EIX to express a bullish view into mid-year 2019. EIX shares have traded down 23% since the start of the 2019 California wildfires. Our equity analyst sees potential for legislation and fines to lessen for EIX as well as PCG in the coming months, and therefore shares could trade higher. Option investors in EIX are pricing in higher downside risks to shares though, with 6m normalized skew near the highest level in a decade. Call buyers risk losing premium paid if shares close below the strike price at expiration.

The options discussion is authored by GS Options Strategist Katherine Fogertey.

**Exhibit 1: We make a handful of ratings changes - upgrading EIX to Buy while we downgrade EVRG and EXC to Sell**  
GS Utilities coverage ratings grid

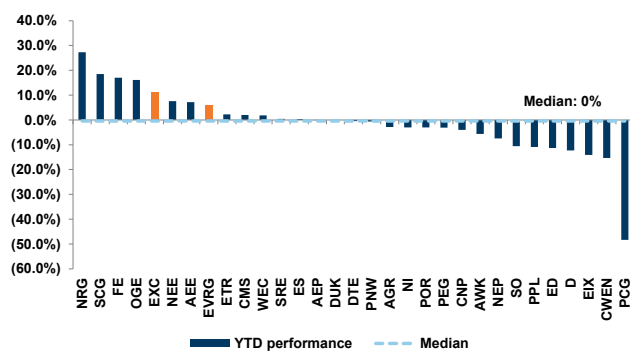
	Regulated Utilities	Diversified Utilities	IPPs
Buy	AEP, <b>EIX</b> PNW	ETR FE, NEE* SRE*	NRG
Neutral	AEE, AWK ED, ES, NI, PCG PPL, WEC	AGR, D OGE, PEG	CWEN, NEP
Sell	DUK, <b>EVGR</b> POR, SO	<b>EXC</b>	
Not Rated		CNP	

\*Part of our Americas Conviction List

Source: Goldman Sachs Global Investment Research

**Exhibit 3: We highlight EXC and EVRG among the outperformers in 2018...**

GS Utilities coverage 2018 performance



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 2: ..and we continue to favor capital allocation leaders and utilities where we see upside to consensus or inexpensive relative valuation**

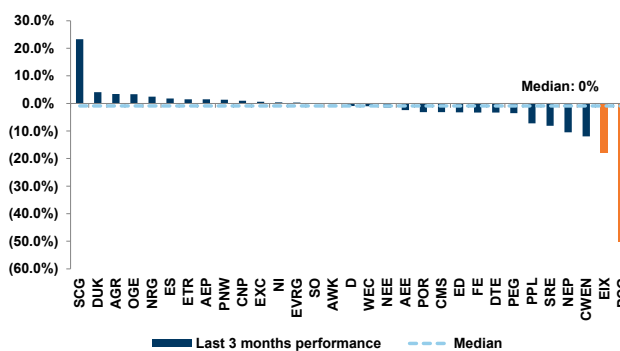
Sector Buys and Sells summary

		Capital Allocators	Low Multiples / Consensus Upside	High Consensus Risk	High Multiples
Buy Rated	AEP	✓	✓		
	EIX		✓		
	ETR		✓		
	FE		✓		
	NEE*	✓	✓		
	NRG	✓	✓		
	PNW		✓		
	SRE*	✓	✓		
Sell Rated	DUK			✓	✓
	EVGR				✓
	EXC				✓
	POR			✓	✓
	SO			✓	

\*Part of our Americas Conviction List

Source: Goldman Sachs Global Investment Research

**Exhibit 4: ...while EIX and PCG underperformed significantly in the last three months following concerns related to the 2018 wildfires**  
GS Utilities coverage last three months performance



Source: Goldman Sachs Global Investment Research, FactSet

## Pricing in volatility and uncertainty ahead - remain Neutral on utilities

### We update our baseline P/E multiple to 17x (from 16x) and continue to use 2020 as our valuation year.

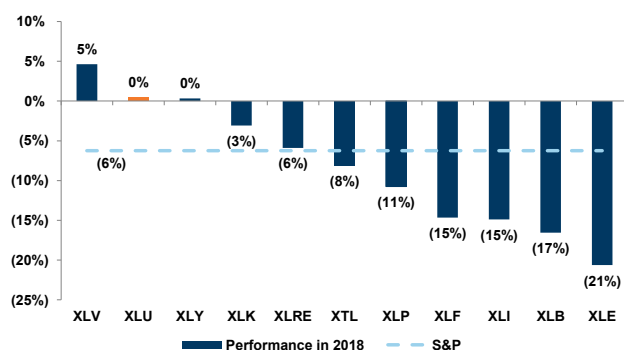
We base our 17x 2020E baseline P/E multiple on expectations for (1) the S&P to trade around 17x 2020 EPS at 2019YE and (2) the UST 10-year to yield ~3.25% at 2019YE. In a 3.25% UST 10-year yield environment we expect – based on utilities’ historic premium/(discount) to the S&P at different UST 10-year yields – for Utilities to trade largely in line with the S&P at 2019YE. We base our 2019YE S&P P/E multiple and UST 10-year forecast on a combination of GS economist forecasts and Bloomberg consensus/the forward curve.

### Utilities look expensive on an absolute basis, relative to the S&P, and relative to IG credit.

Utilities outperformed meaningfully in 2018, with the XLU roughly flat vs the S&P down (6%) – largely due to significant outperformance over the last 3 months of the year where the XLU increased by 1% vs the S&P down (14%). Increased volatility and uncertainty in the market since October has driven a risk-off mentality among many investors based on our conversations. With an increased interest in low-beta and dividend yielding sectors, utilities outperformed meaningfully. We believe the sector now largely prices in expectations for volatility across the broader market in the near-term.

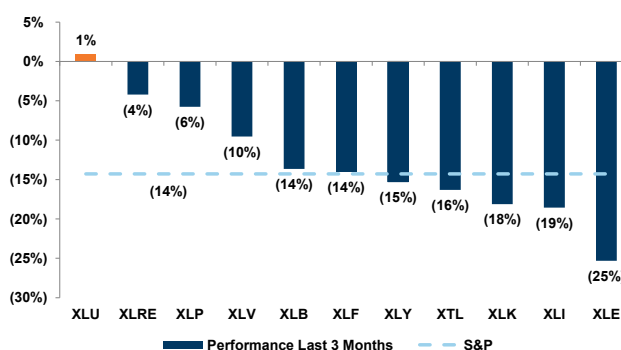
**We remain neutral on the utilities sector given a lack of clear negative catalysts as well as expectations for continued market volatility,** as utilities have generally outperformed during periods of increased volatility. Expectations for an inverted yield curve in 2019 - both from GS economists and the forward curve (Bloomberg) - add to investors’ broader market concerns, and utilities have historically outperformed the market when the yield curve flattens or even inverts.

**Exhibit 5: In 2018 the XLU outperformed market by ~7%...**  
S&P sector performance in 2018



Source: Goldman Sachs Global Investment Research, FactSet

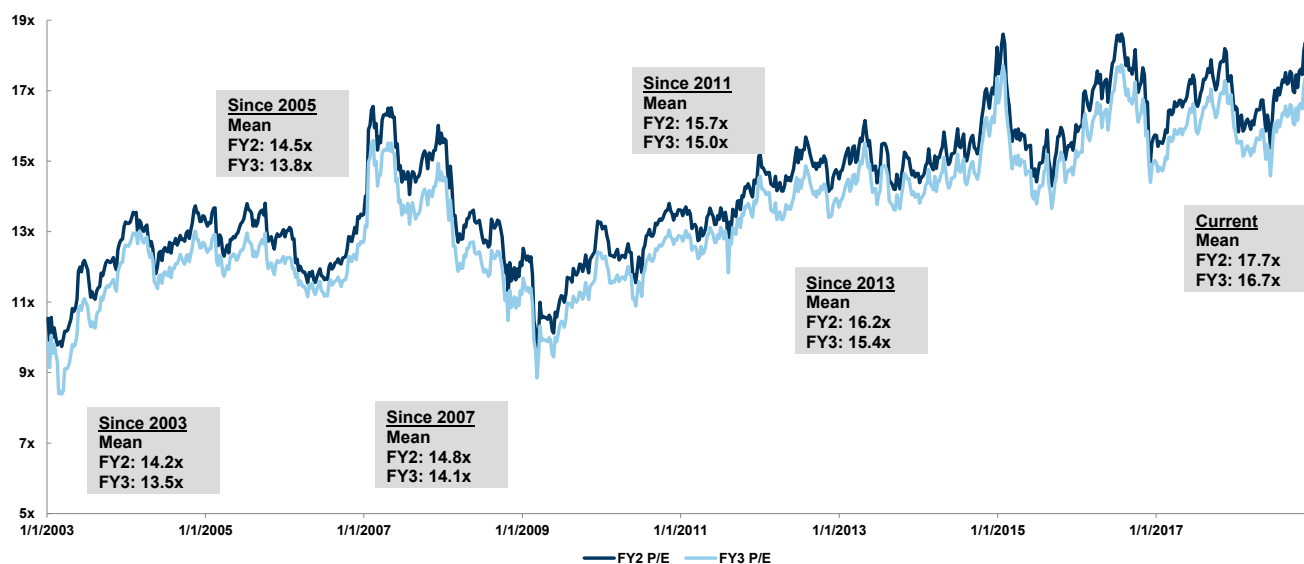
**Exhibit 6: ...with recent performance driving the XLU's strong relative return in 2018...**  
S&P sector performance last 3 months



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 7: ...but we now see regulated utilities coming back down from peak absolute P/E multiples...**

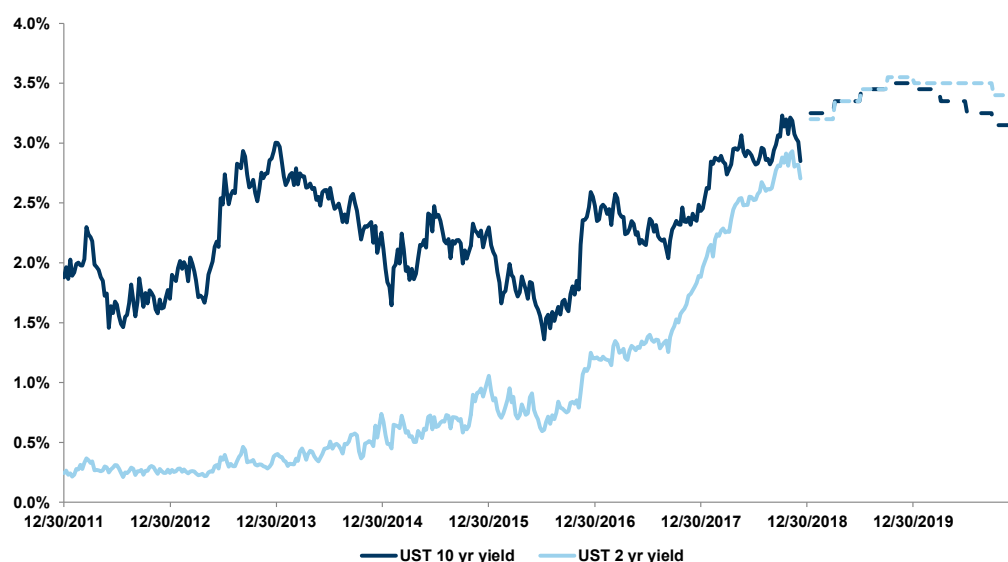
Regulated Utilities absolute FY2/FY3 P/E multiples over time



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 8: ...in an environment where the spread between 10-year and 2-year UST yields has collapsed and GS economists forecast inversion in 4Q19 - driving investor uncertainty...**

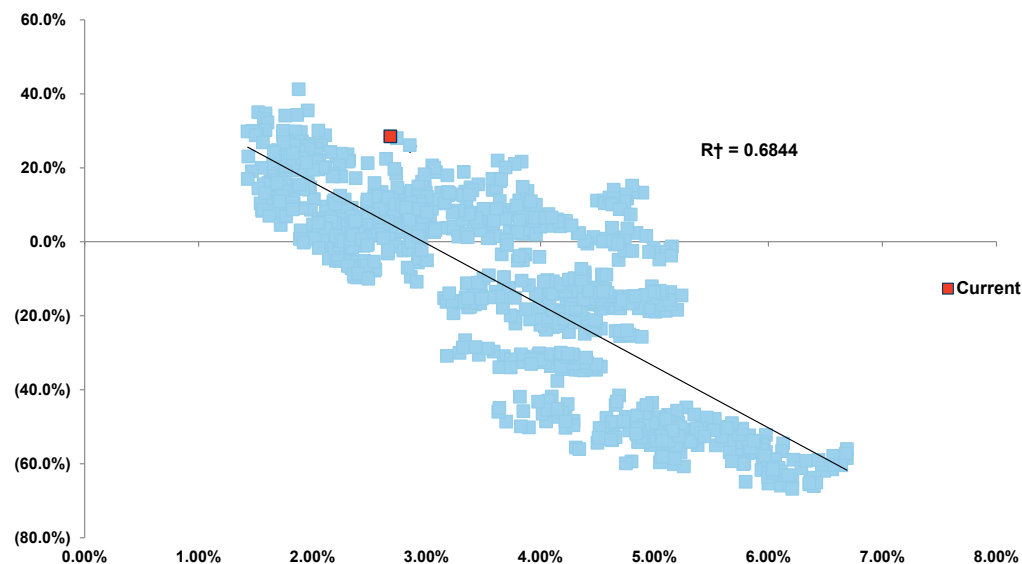
UST 10-year and 2-year yields, 2005A-2020E



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 9: ...that uncertainty also saw utilities' relative premium rise well above its historical trend given the current UST 10-year yield environment...**

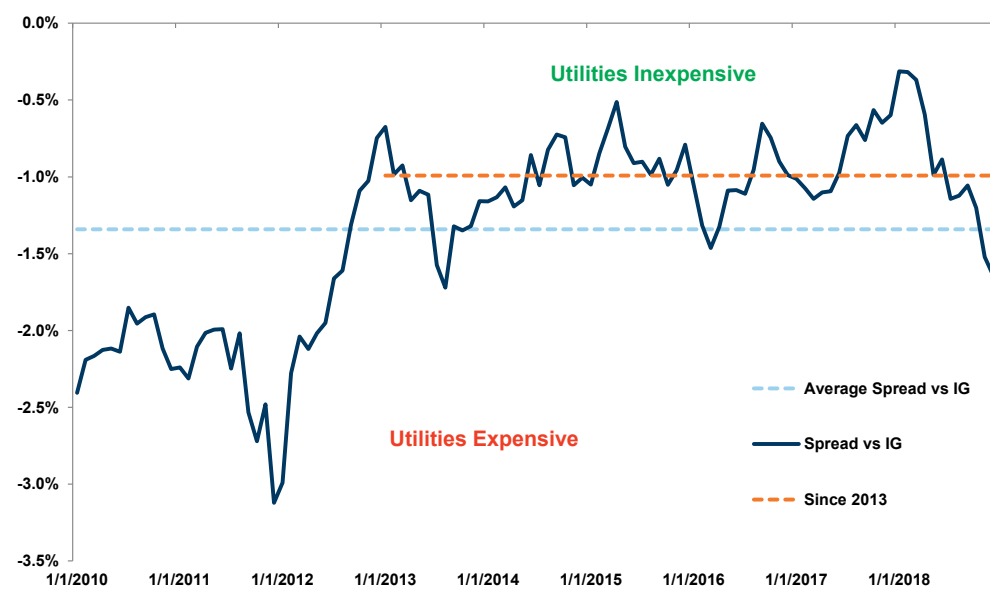
Utilities premium/(discount) to the S&P in different UST 10-year environments over the last 20 years



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 10: ...and utilities now appear expensive relative to IG bonds...**

Utilities yield vs IG bonds



Source: Goldman Sachs Global Investment Research

**Exhibit 11: ...but we highlight that since 1976 utilities outperformed the S&P in 100% of market corrections...**

Sector performance during market corrections of (10%) or more

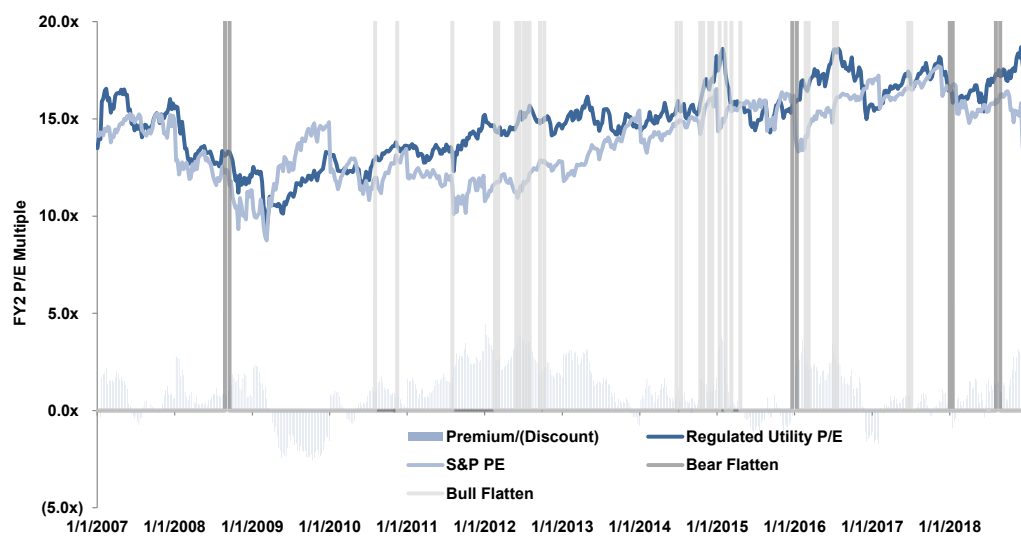
**Sector performance during  
18 S&P 500 corrections since 1976**

	<b>Sector</b>	<b>Median excess return</b>	<b>% of episodes outperf. S&amp;P 500</b>
UT	Utilities	11%	100 %
Cservices	Comm. Services	5%	83 %
Cstaples	Cons. Staples	4%	94 %
EN	Energy	3%	61 %
HC	Health Care	3%	78 %
CD	Cons. Discretionary	(1%)	44 %
IN	Industrials	(1%)	33 %
IT	Info Tech	(1%)	33 %
RE	Real Estate	(1%)	50 %
MA	Materials	(2%)	22 %
FN	Financials	(3%)	28 %

Source: Compustat, FactSet, Goldman Sachs Global Investment Research

**Exhibit 12: ...and that utilities historically trade at a meaningful premium to the market during periods of yield curve flattening/inversion**

Regulated Utility P/E vs S&amp;P P/E during periods of bear and bull flattening



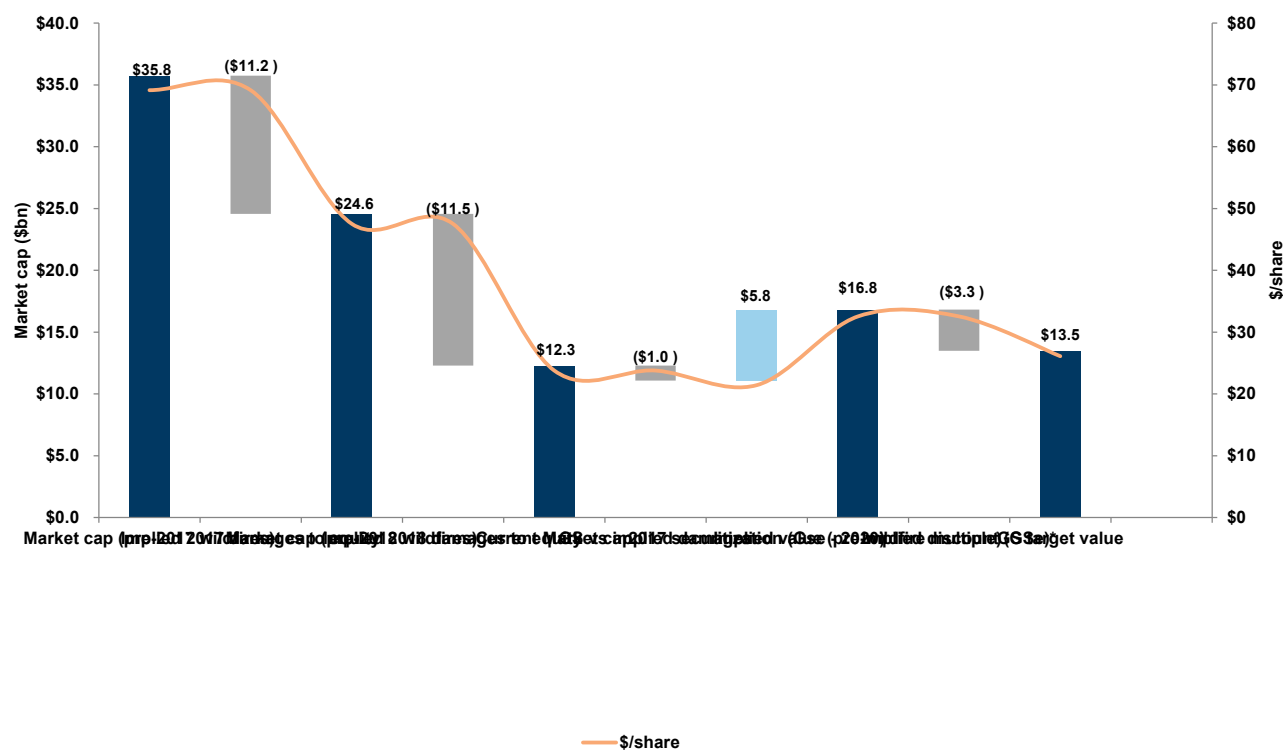
Source: Goldman Sachs Global Investment Research, FactSet

## Deep value in California - Upgrading EIX to Buy, remain Buy rated SRE (on the CL)

**We recommend investors own both EIX and SRE as we upgrade EIX from Neutral to Buy, and see potential longer-term upside beyond our target price for Neutral rated PCG.** SRE remains on the Conviction List as a top pick across our coverage, driven by its shrink to grow story, the upside we see to FactSet consensus estimates, and potential for growth at its LNG business. In our opinion, the current share prices for PCG and EIX do not reflect the value we see in their "normalized" long term earnings opportunity, as we expect EPS to trough for both in 2021 - impacted by final wildfire related costs and prospective financing - before beginning to normalize in 2022. We highlight that PCG/EIX trade at 6.5x/12.9x 2020E P/E on our estimates, a large discount to large-cap regulated utility peers trading around 16.5x GSe; on our 2022 EPS estimates - which embed the cost and financing of wildfire damages for 2017 and 2018 but no further wildfire related requirements at this stage - PCG/EIX trade at 9.4x/13.1x vs regulated utility peers around 15x on consensus estimates. While a substantial discount remains warranted in our view, we see current valuations presenting favorable risk/reward for EIX, but additional uncertainty keeps us Neutral PCG. We emphasize that our estimates reflect our assumption that the California utility regulator (CPUC) will allow securitization of wildfire costs for 2017 for both utilities, as allowed by SB 901 - but we do not assume securitization of 2018 wildfire damages in our base case (as SB 901 does not explicitly allow for the securitization of 2018 wildfire damages). However, we do highlight scenario analyses showing significant upside potential for PCG and EIX if, all else equal, securitization can apply to 2018 costs (which may be feasible with some legislative or regulatory action, per CPUC President Picker).

**Exhibit 13: We highlight how today's share price doesn't reflect the fair value we see in PCG's long term earnings power...**

PCG implied damages to equity vs GSe (\$bn) and implied share price

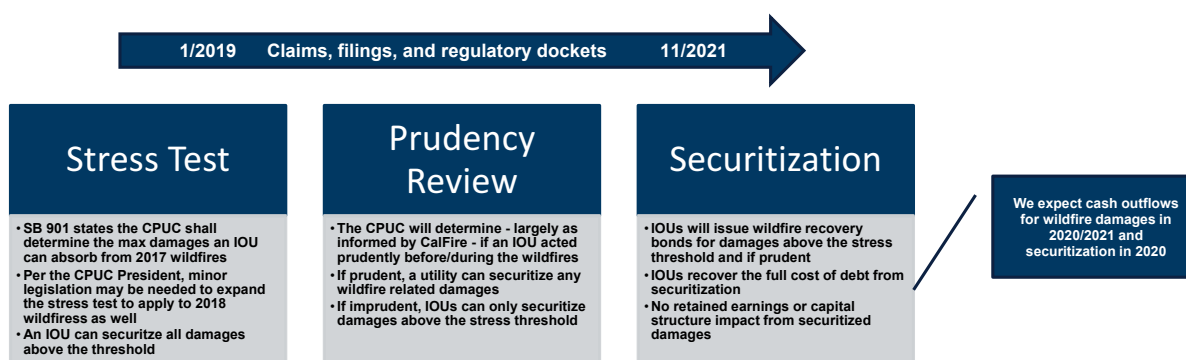


\*Implied discount reflects PCG's multiple re-rating lower

Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 14: ...and highlight several key wildfire related steps/catalysts over the next ~3 years - with the stress test unique to PCG**

Wildfire regulatory steps



Source: Goldman Sachs Global Investment Research, SB 901

EIX	12m Price Target: \$63	Price: \$56.2	Upside: 12.1%			
Buy	GS Forecast					
		12/17	12/18E	12/19E	12/20E	
	Market cap: \$18.3bn	Revenue (\$ mn) New	12,320.0	12,704.3	12,891.5	13,012.3
	Enterprise value: \$34.1bn	Revenue (\$ mn) Old	12,320.0	12,703.7	12,997.0	13,028.0
	3m ADTV :\$180.7mn	EBITDA (\$ mn)	3,534.0	3,858.1	4,533.7	4,529.2
	United States	EBIT (\$ mn)	1,493.0	1,987.5	2,635.7	2,467.9
	America-Regulated Utilities: Neutral	EPS (\$ New	4.49	3.94	4.25	4.39
		EPS (\$ Old	4.49	3.93	4.45	4.57
		P/E (X)	17.3	14.3	13.2	12.8
		Dividend yield (%)	2.8	4.3	4.4	4.5
		Net debt/EBITDA (X)	3.8	4.1	3.9	4.4
			9/18	12/18E	3/19E	6/19E
		EPS (\$)	1.56	0.74	0.87	0.91

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 26 Dec 2018 close.

**We upgrade EIX to Buy after 15% underperformance (vs. XLU) since the 2018 wildfires and get more positive on longer term potential PCG risk/reward following 48% underperformance (also since the 2018 wildfires), noting:**

- **Both utilities now price in a very bearish outcome**, as implied wildfire damages to equity (as reflected by market adjusted changes in market cap) for both utilities currently exceed our estimates (which include securitization in 2017) and with PCG/EIX shares at  $\sim(10x)/(3.5x)$  2020 P/E multiple discounts to peers on our estimates;
- **Senate Bill 901, passed last summer in response to the 2017 wildfires**, attempted to lighten the burden on utilities from future wildfires - allowing securitization for utilities assuming prudent actions/responses related to wildfires - and requires the CPUC to consider a utilities' financial position as a result of the 2017 wildfires when determining amounts for securitization. Based on recent comments by CPUC President Picker we could see minor legislation to update SB 901 to include the 2018 fires (we outline the potential EPS impact of 2018 wildfire damage securitization in Exhibits 25 and 31);
- **CPUC President Picker's** recent comments stating the CPUC's desire to avoid bankruptcy at PCG and indicating that he believes the stress test could apply to 2018 as well as 2017 (although some legislation may be needed to do so). We also point to:
  - **California's lofty clean energy goals that** require strong utility capital investments,
  - **Electric vehicle infrastructure goals in California that also** require utility capital spending, and
  - **Breaking up a utility remains a difficult and complicated proposition**, particularly for PCG given its current debt structure houses all debt at the parent level.

"It's not good policy to have utilities unable to finance the services and infrastructure the state of California needs" - CPUC President Picker, Utility Dive 11/16/2018

"...the agency doesn't want PG&E to go into bankruptcy" - CPUC President Picker, Reuters 11/15/2018

## Goldman Sachs

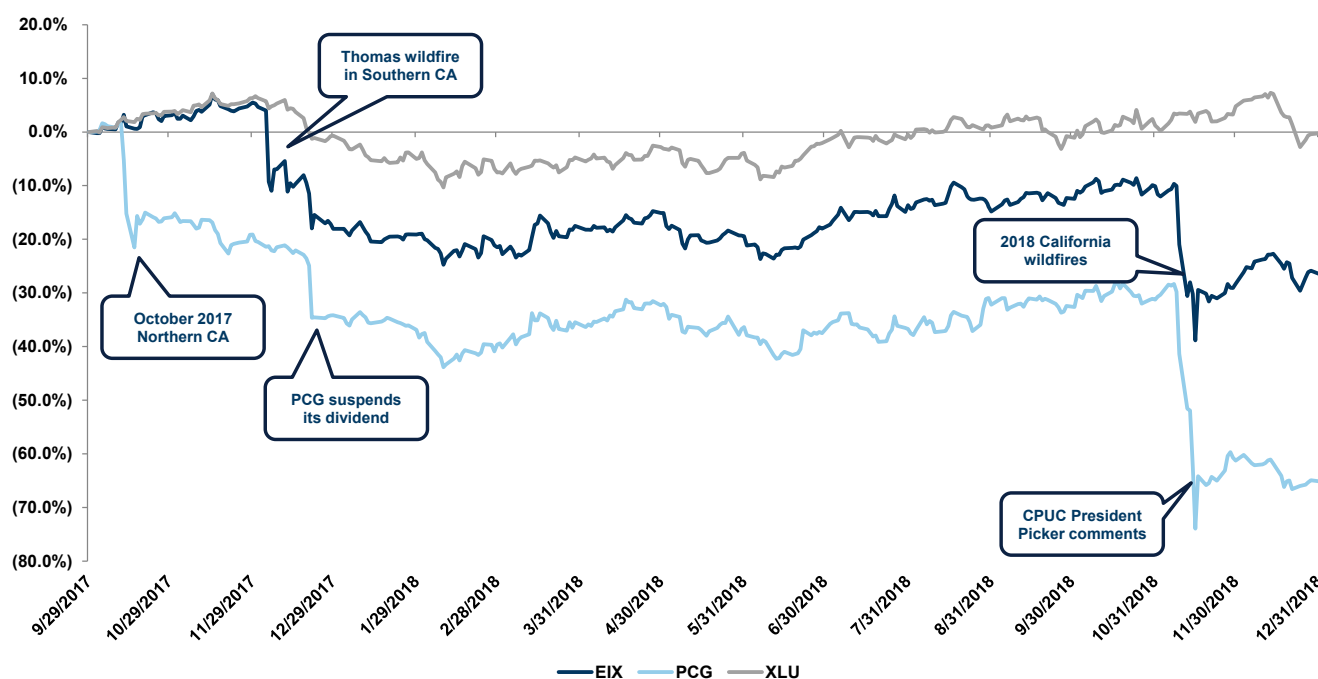
## Americas Utilities

"In an interview with The [SF] Chronicle, Picker said he believes the process can apply to wildfires from this year and last year. But because the law currently authorizes the utility to issue bonds only for fires that ignited in 2017, Picker admitted some 'cleanup legislation' may be necessary" - San Francisco Chronicle, 11/15/2018

"I will open a new phase examining the corporate governance, structure, and operation of PG&E, including in light of the recent wildfires, to determine the best path forward for Northern Californians to receive safe electrical and gas service in the future" - CPUC President Picker, WSJ 11/15/2018

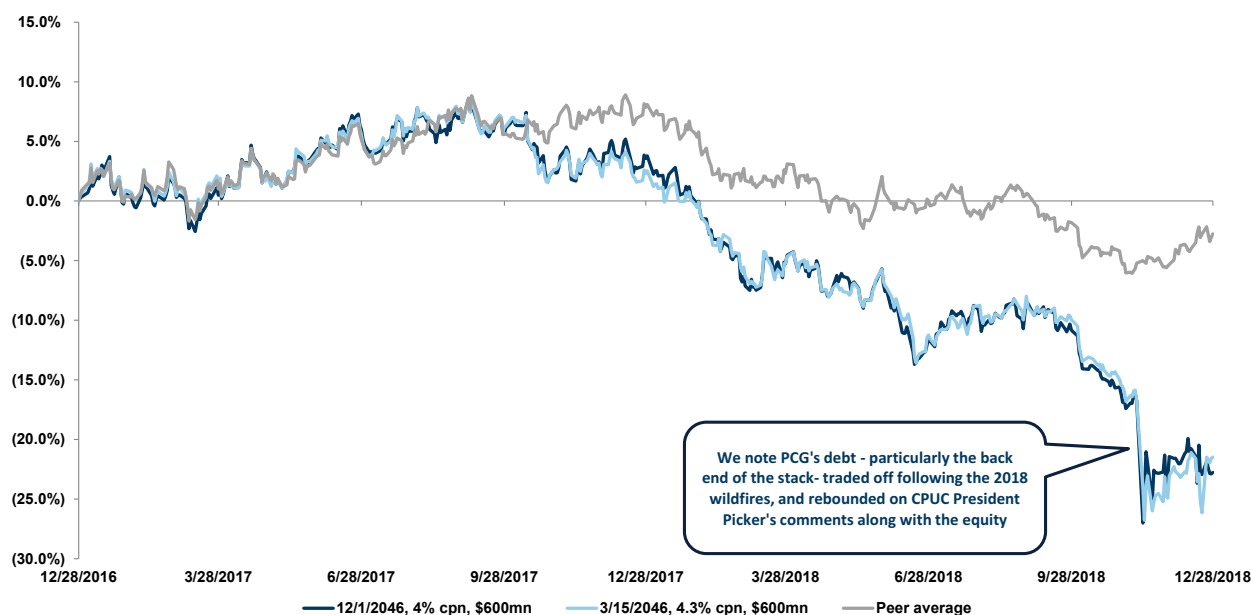
**We recognize that investors may debate the merit of investment in both PCG and EIX at this juncture, given the financial uncertainty that exists for both utilities and the importance of undetermined state policy to both companies' future.** In addition, we acknowledge that both utilities' stocks - but particularly PCG's - may see high levels of volatility, especially in comparison to regulated utility peers, keeping us Neutral PCG. We also recognize clarity for PCG may take many months, if not 1-2 years, to play out - given multiple state agency reviews and proceedings ahead. Our estimates include PCG/EIX issuing ~\$10bn/\$3bn of equity at current share prices (~75%/15% of their current market caps) through 2022 in order to maintain their regulator mandated capital structures - making our estimates sensitive to changes in expected share issuances over the next several years.

**Exhibit 15: We highlight both EIX and PCG's significant underperformance since 10/2017, with EIX/PCG down 26%/65% relative to the XLU...**  
PCG, EIX, and XLU performance



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 16: ...and note a similar pattern for PCG's debt - although a slightly more muted response relative to the equity**  
PCG debt price performance, 12/2016-12/2018



Source: Goldman Sachs Global Investment Research, Bloomberg

**Exhibit 17: EIX and PCG reflect bearish outcomes following the 2018 wildfires - particularly as we incorporate securitization for 2017 wildfire costs into our estimates...**

Implied wildfire costs vs GS estimates

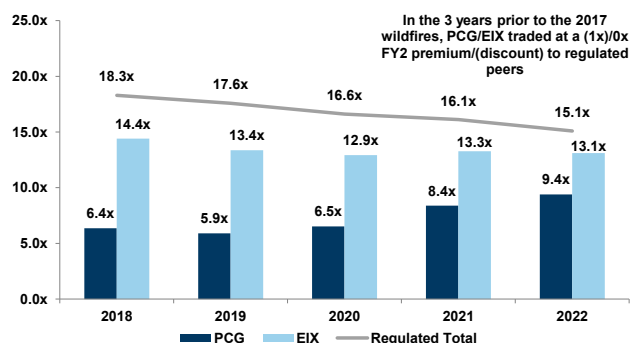
What's priced in?		
2017 wildfires	EIX	PCG
Price before 2017 wildfires	\$81	\$69
Price 11/8/18	\$69	\$48
XLU performance 2017 wildfires-11/8/18	(2.9%)	0.4%
Implied 11/8/18 price (w/o wildfires)	\$78	\$69
Implied damages/share	\$9	\$22
2018 wildfires	EIX	PCG
XLU performance since 2018 wildfires	(4.6%)	(4.6%)
Implied 12/31/18 price (w/o wildfires)	\$66	\$46
Price today	\$57	\$24
Implied damages/share 12/4/18	\$9	\$22
Total damages - implied		
Share count	327	517
2017 wildfires implied damages (\$mn)	\$2,952	\$11,181
2018 wildfires implied damages (\$mn)	\$3,089	\$11,297
Total damages to equity - implied (\$mn)	\$6,041	\$22,478
Total damages - GSe (\$mn)	\$6,600	\$23,700
Securitization - GSe (\$mn)	(\$900)	(\$5,750)
Total damages to equity - GSe (\$mn)	\$5,700	\$17,950
Total damages to equity - difference (\$mn)	\$341	\$4,528

We assume \$23.7bn of damages to PCG after insurance, the market roughly prices in 100% of our damage estimate impacting equity holders

We note PCG/EIX traded with a 95%+ correlation to the XLU over the 3 years prior to the 2017 wildfires

Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 18: ...noting both utilities - on current share price - trade at very large discounts to peers on a P/E multiple basis...**  
EIX, PCG, and regulated utility peer P/E multiples, 2018-2022



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 19: ...and - based on the current share price and a range of historical Utility P/E multiples - PCG's market implied "normalized" EPS remains well below our "normalized" estimate for 2022, but near or below our 0% securitization scenario**  
PCG implied 2022 EPS



Source: Goldman Sachs Global Investment Research, FactSet

### Revising our 2017 wildfire cost estimates and incorporating 2018 wildfire costs for PCG...

**We revise our 2019-2022 EPS estimates for PCG from \$4.04/\$4.01/\$4.00/\$4.16 to \$4.03/\$3.64/\$2.83/\$2.53.** Our \$3.74 2018 EPS estimate remains unchanged. Our updated estimates incorporate (1) updated wildfire damage estimates, (2) securitization for 50% of 2017 wildfire damages - with securitization occurring in 2021, (3) our assumption that PCG recovers 50% of 2018 wildfire damages over 10 years (beginning in 2022) based on a conservative assumption for cost recovery practices for regulated utilities, and (4) updated financing assumptions given the incremental wildfire damages. Our updated estimates imply nearly ~\$2.55 of EPS dilution related to wildfires in 2022 - with the bulk of the dilution due to increased equity needs. We highlight that all non-securitized damages would directly impact PCG's capital structure.

- **We increase our 2017 wildfire cost estimate for PCG from \$8.2bn (as estimated in our Jan. 2, 2018 report) to \$11.5bn** - the midpoint of our updated range. We derive our 2017 wildfire damages estimate from insurance claims related to the wildfires according to the California Department of Insurance - roughly \$10bn in Northern CA. As in our original report we then (1) assume each utility bears 70%-80% of total liability (unchanged from prior report), (2) gross that portion of damages up 25%-35% to reflect legal fees for claimants (which utilities must pay under inverse condemnation), and (3) decrease the cost to reflect PCG's disclosed wildfire insurance coverage. In addition, we now assume an incremental 20%-30% of uninsured damages to reflect the companies' commentary on uninsured damages - consistent with the percent of insured and uninsured damages estimated for the 2017 wildfires by Munich Re (a German reinsurance company).
- **We update our PCG estimates to include 2018 wildfire damages of \$12.2bn (after wildfire insurance)**, based primarily on CoreLogic's (CLGX, Not Covered) - a property information and analytics firm - 11/27/18 press release titled "*The Camp and Woolsey Wildfires in California Cause Devastating Losses Between \$15 Billion*

and \$19 Billion According to CoreLogic." We pro-rate CoreLogic's cost estimate for PCG (which includes insured and uninsured damages) and treat similarly to our 2017 wildfire cost estimate, but assume 70%-100% liability to the utilities given just one 2018 wildfire impacting PCG estimates (vs 70%-80% liability for the 20+ 2017 wildfires impacting estimates) and an incremental 25%-35% of damages to reflect legal fees of claimants. We note this updated wildfire damage estimate approach differs in methodology and amount from our 11/15/18 report. For both the 2017 and 2018 wildfire damages for PCG, we acknowledge that a range of outcomes exist outside of what we present.

**Exhibit 20: We increase our 2017 wildfire cost estimate for PCG and incorporate a 2018 wildfire damages estimate...**

PCG 2017/2018 wildfire damages and cost estimates

2017 Northern California Wildfire Analysis	Low	High
Acres Burned	245,000	245,000
Structures Destroyed	8,900	8,900
<b>Insurance claims (\$mn)</b>	<b>\$10,000</b>	<b>\$10,000</b>
Uninsured damages adder	20.0%	30.0%
Uninsured damages	\$2,000	\$3,000
Percent Liability	70%	80%
Cost to utility	\$8,400	\$10,400
Legal fees a percent of claims	25%	35%
Additional cost related to legal fees	\$2,100	\$3,640
Total Damages (\$mn)	\$10,500	\$14,040
Insurance Coverage	\$800	\$800
<b>Potential Cost to PCG for 2017 Wildfires (\$bn)</b>	<b>\$9.7</b>	<b>\$13.2</b>

2018 Camp Fire Analysis	Low	High
Acres Burned	153,000	153,000
Structures Destroyed	18,793	18,793
<b>Corelogic cost estimate (\$mn)</b>	<b>\$11,000</b>	<b>\$13,000</b>
Percent Liability	70%	100%
Cost to utility	\$7,700	\$13,000
Legal fees a percent of claims	25%	35%
Additional cost related to legal fees	\$1,925	\$4,550
Total Damages (\$mn)	\$9,625	\$17,550
Insurance Coverage	\$1,400	\$1,400
<b>Potential Cost to PCG for 2018 Wildfires (\$bn)</b>	<b>\$8.2</b>	<b>\$16.2</b>

Source: Goldman Sachs Global Investment Research, CalFire, California Department of Insurance, CoreLogic, Company data

**Based on this analysis we see large financing needs in 2020/2021 with FCF of (\$12.2bn)/(\$12.4bn) due to wildfire related costs of (\$11.5bn)/(\$12.2bn) - with 50% of the 2017 wildfire costs offset by securitization.** As a result we calculate ~\$18bn of post securitization financing in 2020/2021 related to the wildfires - met with \$15bn of LT debt and \$9.3bn of equity issuance to maintain PCG's mandated capital structure (although we assume PCG debt/cap goes ~5% beyond authorized in 2021 before beginning to return to authorized levels). We highlight that the CPUC maintains the ability to issue a capital structure waiver - this would allow PCG to further decrease its equity financing needs at least temporarily, a potential tailwind to estimates. Substantial equity needs combined with PCG's deflated share price (down 63% since the 2017 wildfires) drives the weighted average diluted shares outstanding from 517mn as of 3Q18 earnings to 939mn in 2022 - an ~81% increase.

**While we see significant financing headwinds ahead, we see the longer-term risk/reward proposition for PCG beginning to skew more to the upside,** particularly given SB 901s requirements and the CPUC President's statements to avoid financial stress as a result of the wildfires. Discounting back a more "normal" 2022 EPS to 2020

suggests significant upside potential beyond our 12-month target price for PCG - with a range of potential discount rates and multiples that could create incremental upside (Exhibit 48). Additionally, we see even further potential upside if the CPUC (as CPUC President Picker alluded to) applies securitization to 2018 wildfire damages. We note we remain well below FactSet consensus estimates in 2020+ as many analysts do not appear to reflect the impact of wildfires in their estimates.

**Exhibit 21: We decrease our EPS estimates for PCG...**

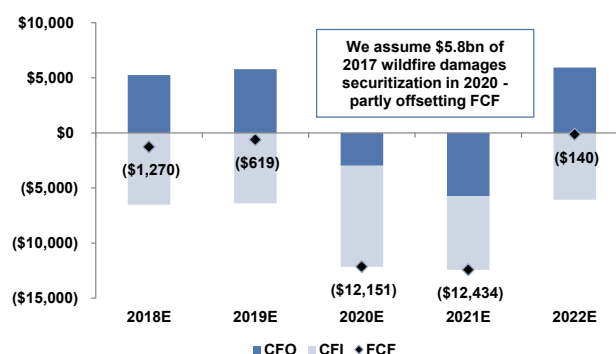
PCG EPS New vs Old vs Consensus, 2018E-2022E

Operating EPS	2018E	2019E	2020E	2021E	2022E
GS- New	\$3.74	\$4.03	\$3.64	\$2.83	\$2.53
GS- Old	\$3.74	\$4.04	\$4.01	\$4.00	\$4.16
Consensus	\$3.82	\$4.04	\$4.20	\$4.22	\$3.75
% Difference	2018E	2019E	2020E	2021E	2022E
vs. GS- Old	(0%)	(0%)	(9%)	(29%)	(39%)
vs. Consensus	(2%)	(0%)	(13%)	(33%)	(32%)

Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 22: ...and see even larger FCF headwinds in 2021 than 2020 as we update our estimates for (unsecuritized) 2018 wildfire damages...**

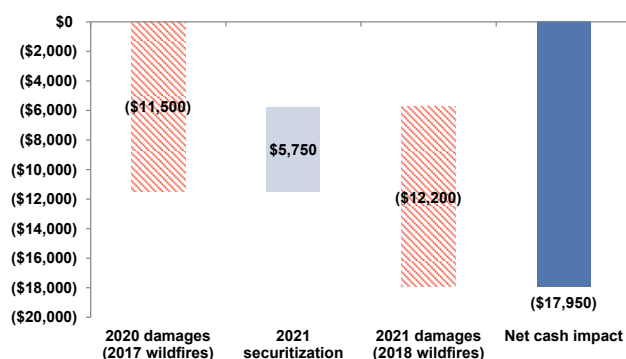
Cash from operations, cash from investing, free cash flow (\$mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 23: ...but also now include securitization in our forecasts, with PCG securitizing 50% of 2017 pre-tax damages - or ~\$5.8bn in 2021...**

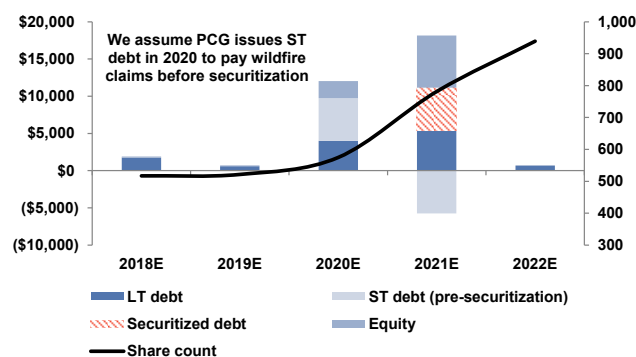
PCG wildfire related cash flows (\$mn)



Source: Goldman Sachs Global Investment Research

**Exhibit 24: ...and while securitization helps offset wildfire related financing needs, we still expect PCG to issue \$10bn/\$9.4bn of LT debt/equity in 2020-2022 - driving the share count up significantly**

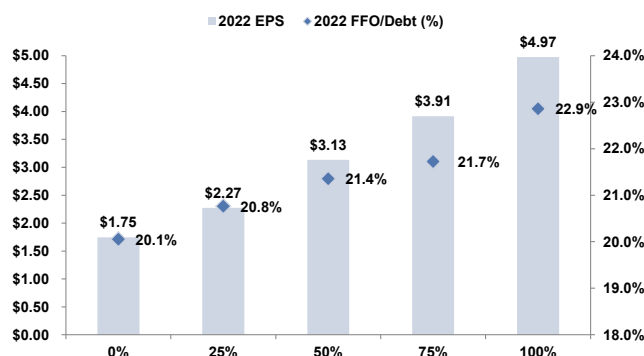
PCG financing (\$mn) and share count (mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 25: Our estimates remain sensitive to the amount of wildfire damages PCG securitizes - our base case assumes 50% of only 2017 wildfire damages - but we show 0%-100% securitization of all damages for illustrative purposes**

EPS sensitivity to % of wildfire related costs securitized - PCG



In our 75%/100% securitization scenarios we assume PCG's dividend returns 2019+ at a 70% payout to keep cash balances and capital structure in check. A range of outcomes exist outside of what we present.

Source: Goldman Sachs Global Investment Research

**...and update our EIX estimates as well - lowering our 2017 wildfire damage estimate, but adding an estimate for 2018 damages**

**We update our 2018-2022 EPS estimates for EIX from**

**\$3.93/\$4.45/\$4.57/\$4.76/\$5.06 to \$3.94/\$4.25/\$4.39/\$4.28/\$4.33.** Our new estimates reflect (1) updated wildfire damages, (2) \$1.7bn of 2018 wildfire damages in 2021, (3) securitization for 50% of 2017 wildfire damages occurring in 2021, (4) our assumption that EIX recovers 50% of 2018 wildfire damages over 10 years (beginning in 2022) based on a conservative assumption for cost recovery practices for regulated utilities, and (5) updated financing assumptions. We now see ~(\$1) of wildfire related EPS dilution in 2022 - similar to PCG most of this dilution comes from incremental equity needs and a lower issuance price. We highlight that all non-securitized damages would directly impact EIX's capital structure.

- **We decrease our 2017 wildfire cost estimate for EIX from \$2.6bn (as estimated in our Jan. 18, 2018 report) to \$1.8bn.** We base - as with PCG - our 2017 wildfire damages on insurance claims related to the wildfires according to the California Department of Insurance - roughly \$2.3bn in Southern CA. We then (1) assume an incremental 20%-30% of uninsured damages (2) assume each utility bears 70%-80% of total liability, (3) gross that portion of damages up 25%-35% to reflect legal fees for claimants (which utilities must pay under inverse condemnation), and (4) decrease the cost to reflect EIX's disclosed wildfire insurance coverage.
- **We update EIX estimates to include 2018 wildfire damages of \$4.8bn (after wildfire insurance),** based primarily on a report from CoreLogic - a property information and analytics firm. We treat CoreLogic's cost estimate (which includes insured and uninsured damages) similarly to our 2017 wildfire cost estimate, assuming 70%-100% liability to the utilities and an incremental 25%-35% of damages to reflect legal fees of claimants.

**Exhibit 26: For EIX we decrease our 2017 wildfire related costs and add a 2018 wildfire damage cost estimate**

EIX 2017/2018 wildfire damages and cost estimates

2017 Southern California Wildfire Analysis	Low	High
Acres Burned	285,000	285,000
Structures Destroyed	1,000	1,000
<b>Insurance claims (\$mn)</b>	<b>\$2,280</b>	<b>\$2,280</b>
Uninsured damages adder	20.0%	30.0%
Uninsured damages	\$456	\$684
Percent Liability	70%	80%
Cost to utility	\$1,915	\$2,371
Legal fees a percent of claims	25%	35%
Additional cost related to legal fees	\$479	\$830
Total Damages (\$mn)	\$2,394	\$3,201
Insurance Coverage	\$1,000	\$1,000
<b>Potential Cost to EIX for 2017 Wildfires (\$bn)</b>	<b>\$1.4</b>	<b>\$2.2</b>

2018 Woolsey Fire & Hill Fire Analysis	Low	High
Acres Burned	101,480	101,480
Structures Destroyed	1,504	1,504
<b>Corelogic cost estimate (\$mn)</b>	<b>\$4,000</b>	<b>\$6,000</b>
Percent Liability	70%	100%
Cost to utility	\$2,800	\$6,000
Legal fees a percent of claims	25%	35%
Additional cost related to legal fees	\$700	\$2,100
Total Damages (\$mn)	\$3,500	\$8,100
Insurance Coverage	\$1,000	\$1,000
<b>Potential Cost to EIX for 2018 Wildfires (\$bn)</b>	<b>\$2.5</b>	<b>\$7.1</b>

Source: Goldman Sachs Global Investment Research, CalFire, California Department of Insurance, CoreLogic

**Our estimates imply more manageable financing needs in 2020/2021 for EIX relative to PCG given our FCF estimates of ~(\$2.3bn)/(\$4.8bn).** After securitization and dividend payments, we forecast ~\$5.7bn of financing needs for EIX in 2020/2021 - met with \$5.2bn of LT debt and \$3bn of equity issuances to maintain EIX's mandated capital structure (although we assume debt/cap ~5% above authorized in 2021 before beginning to return to authorized levels). While EIX's shares traded down 24% since the 2017 wildfires, we see weighted average diluted shares outstanding growing from 327mn as of 3Q18 earnings to 382mn in 2022 - a ~17% increase. We remain below FactSet consensus, which we believe reflects those EPS estimates not fully incorporating an estimate of wildfire damages.

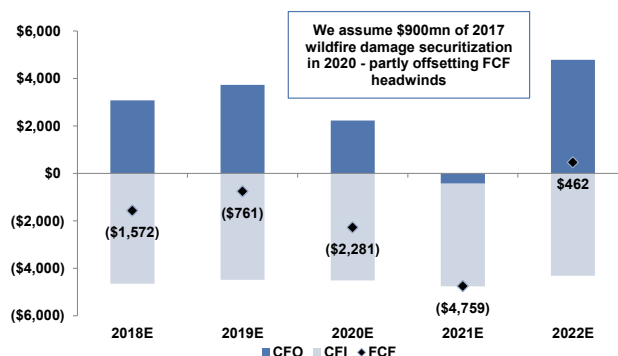
**Exhibit 27: We decrease our EIX estimates much more moderately... EIX EPS New vs Old vs Consensus**

EPS	2018E	2019E	2020E	2021E	2022E
GS- New	\$3.94	\$4.25	\$4.39	\$4.28	\$4.33
GS- Old	\$3.93	\$4.45	\$4.57	\$4.76	\$5.06
Consensus	\$4.14	\$4.52	\$4.80	\$4.94	\$4.90
% Difference	2018E	2019E	2020E	2021E	2022E
vs. GS- Old	0%	(4%)	(4%)	(10%)	(14%)
vs. Consensus	(5%)	(6%)	(9%)	(13%)	(12%)

Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 28: ...and while we see cash flow headwinds in 2020/2021 related to wildfire damages...**

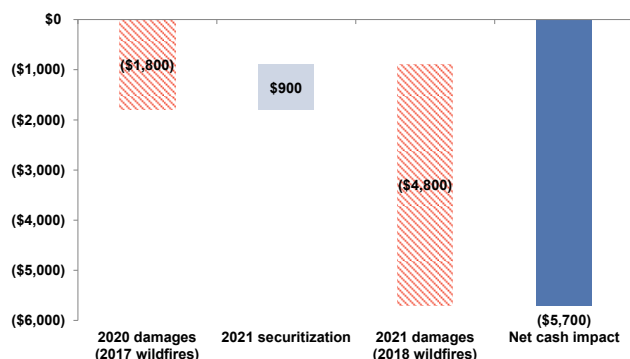
Cash from operations, cash from investing, and free cash flow (\$mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 29: ...we see far lower financing needs for EIX due to lower estimated wildfire related costs...**

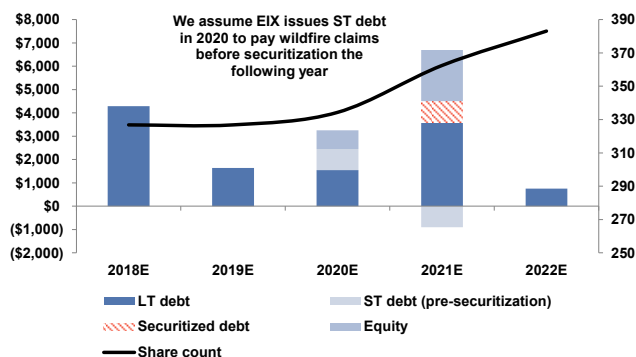
EIX wildfire related cash flows (\$mn)



Source: Goldman Sachs Global Investment Research

**Exhibit 30: ...and as a result we see EIX issuing a much more manageable ~\$5.9bn/\$3bn of LT debt/equity in 2020-2022...**

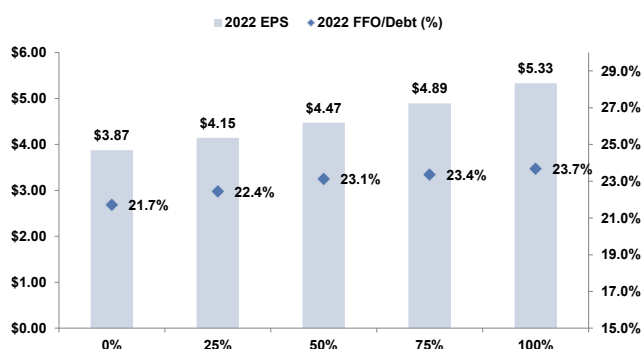
EIX financing (\$mn) and share count (mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 31: ...our EPS estimates remain sensitive to the percentage of wildfire costs securitized - our base case assumes 50% in 2017, but we show 0%-100% securitization of all damages for illustrative purposes...**

EPS sensitivity to percent of wildfire related costs securitized - EIX

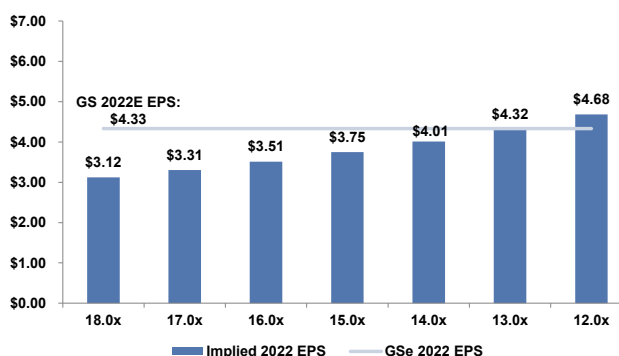


A range of outcomes exist outside of what we present.

Source: Goldman Sachs Global Investment Research

**Exhibit 32: ...and we note - based on the current share price and a range of P/E multiples - EIX's implied "normalized" EPS generally remains below our estimate**

EIX implied 2022 EPS



Source: Goldman Sachs Global Investment Research

**Inverse condemnation and Senate Bill 901**

**California remains unique in its use of inverse condemnation** - a law intended to help socialize wildfire costs (among other damages). Under inverse condemnation, if a utility's equipment plays a role in the start or spread of a wildfire, that utility must pay the resulting insurance claims, related legal fees, and other potential damages. If the utility acted prudently - both in preventing the incident and in its response to the incident - it then recovers all costs in customer rates. However, determining prudence takes time - and as a result the utility typically pays for and finances the damages prior to any cost recovery. Following the application of inverse condemnation, if the CPUC finds a utility acted imprudently or violated state laws it can assess incremental fines and penalties to the utility - in addition to disallowing cost recovery. Unlike simple liability or negligence, inverse condemnation also applies to a utility acting responsibly and in accordance with state laws.

**In response to the 2017 wildfire season, California legislators passed SB 901 - a bill which:**

- 1. Includes provisions to ease the burden of utilities subject to inverse condemnation,** particularly by authorizing the CPUC “upon application by an electrical corporation, to issue financing orders to support the issuance of recovery bonds to finance costs, in excess of insurance proceeds, incurred, or that are expected to be incurred, by an electrical corporation, excluding fines and penalties, related to wildfires”. We highlight that utilities may issue these recovery bonds for 2017 wildfires and wildfires occurring after 1/1/19/ per SB 901 - but this excludes 2018 wildfires.
- 2. Requires utilities to “annually prepare and submit a wildfire mitigation plan to the [C]PUC for review”.** We expect mitigation plans primarily reflect capital spending related to wildfire safety and prevention, as well as outlining best practices for the utility. The bill also would “require the [C]PUC to assess penalties on an electrical corporation that fails to substantially comply with its plan”.
- 3. Dictates the CPUC to “consider the electrical corporation’s financial status and determine the maximum amount the corporation can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service” for wildfires with a 2017 ignition date.** We refer to this as a “stress test” for the utility, with any damages above that threshold automatically eligible for recovery in rates - regardless of prudence. However, SB 901 does not provide detail on how the CPUC ought to determine the threshold, leaving the specifics of the stress test up to the CPUC.

**We highlight the importance to California and its utility customers of avoiding a utility facing financial stress, given:**

- 1. Utilities pass their cost of capital on to customers -** as cost of debt flows directly through customer bills, and as utilities recover their cost of equity through customer bills as well, reflected in their authorized RoEs. We would anticipate a significantly higher cost of equity - and as a result, higher RoE/customer rates - for a regulated utility under financial stress. We highlight a pending 2019 cost of capital docket in California (generally occurring every three years) - which, if it proceeds as normal, could result in significantly higher authorized RoEs for both PCG and EIX.
- 2. Financial stress would create headwinds to California meeting its RPS and electric vehicle infrastructure goals** as the utilities would likely need to limit capital spending on both fronts.
- 3. Utilities also pass through power prices, which may go up** particularly as California tries to increase the portion of its energy from renewable generation. Counterparties signing agreements to sell renewable power to PCG/EIX could demand higher power prices for a financially stressed utility to offset their own counterparty risk.

**Utilities would issue SB 901 recovery bonds to pay out claims and other costs related to the wildfires, with the full costs of the bonds passed on to rate payers -**

we refer to this process as securitization. Recovery bonds don't impact utilities' capital structures and charges related to securitized damages don't impact retained earnings per PCG/EIX commentary - allowing utilities to avoid issuing significant equity to fund wildfire pay outs and maintain their authorized capital structures. Similar to standard cost recovery under inverse condemnation, in most circumstances a utility must show it acted prudently in order to qualify for securitization. However, SB 901's stress test allows any wildfire costs above a threshold - as determined by the CPUC - to qualify for securitization. We note that SB 901 does not detail a method for the CPUC to determine a damage threshold. For our analysis we assume 50% securitization for 2017 wildfire damages given our expectation for some portion of damages to receive securitization and to reflect the risk that not all damages receive securitization pending the CPUC's stress test threshold and prudency reviews. On our estimates this level of securitization would allow PCG and EIX to remain IG rated by the ratings agencies, a key threshold for the utilities to maintain a manageable cost of debt.

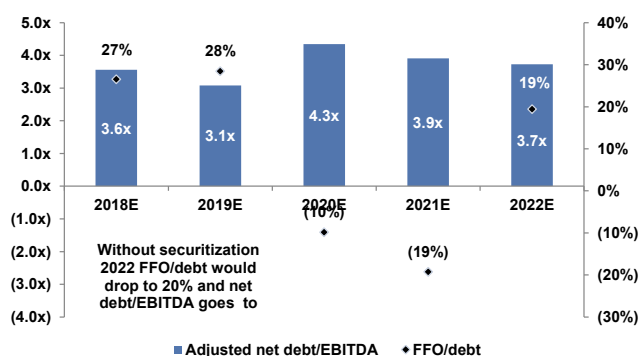
**Exhibit 33: We note that PCG and EIX remain investment grade, but also remain on negative watch - with Moody's flagging PCG for a possible downgrade...**

EIX and PCG credit ratings

	S&P	Moody's
PCG	BBB-/Negative	Baa3/Possible Downgrade
EIX	BBB+/Negative	Baa1/Negative

**Exhibit 34: ...with PCG's credit metrics facing serious headwinds in 2020/2021 before largely recovering in 2022...**

Adjusted net debt/EBITDA and FFO/debt for PCG, 2018E-2022E



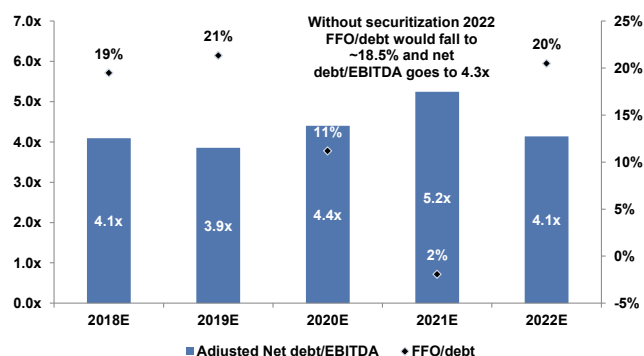
Source: Goldman Sachs Global Investment Research, FactSet, Bloomberg

Our adjustments exclude wildfire recovery bonds from debt

Source: Goldman Sachs Global Investment Research

**Exhibit 35: ...and we note a similar story for EIX's credit metrics...**

Adjusted net debt/EBITDA and FFO/debt for EIX, 2018E-2022E

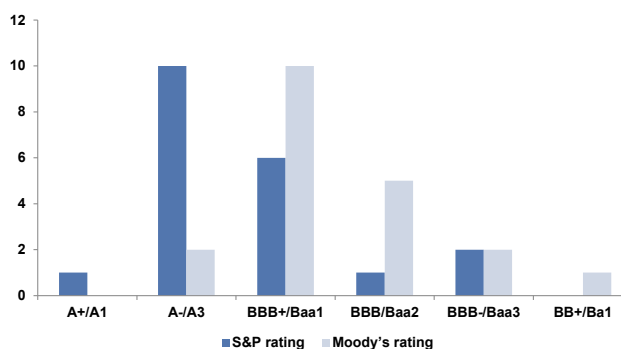


Our adjustments exclude wildfire recovery bonds from debt

Source: Goldman Sachs Global Investment Research

**Exhibit 36: ...while regulated utilities and diversified utility peers under GS coverage remain nearly entirely investment grade**

GS regulated and diversified utility coverage credit rating distribution



Source: Goldman Sachs Global Investment Research, Bloomberg

**What would PCG/EIX earnings power look like without any wildfire impact?****Using simple rate base math, we model "normal" earnings growth scenarios for PCG and EIX.**

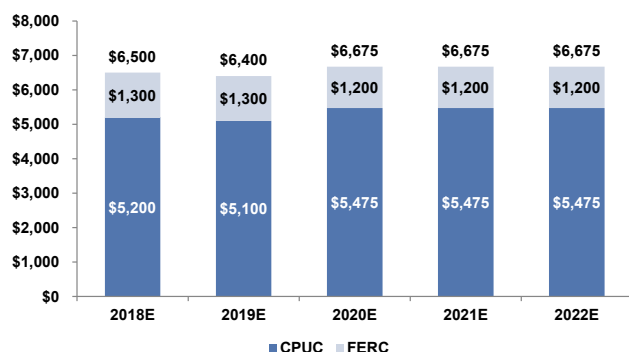
We continue to see strong capital spending for both EIX and PCG, although we forecast capital spending just below guidance levels for EIX - assuming a slight haircut to EIX's requested grid modernization and Grid Safety and Resiliency Program. We also incorporate Community Wildfire Safety Program spending - a byproduct of Senate Bill 901 passed at the end of CA's 2018 legislative session - for PCG, a slight tailwind to capital spending and rate base growth.

- **We estimate 2022E EPS dilution of (\$2.56)/(\$1.02) for PCG/EIX**, compared to our estimate of "normal" 2022 EPS of \$5.09/\$5.35.
- **We view incremental equity needs as the primary driver of dilution** - as the utilities must finance cash outflows for wildfire damages while maintaining an authorized capital structure.
- **We also see some EPS dilution related to each utility earning below authorized net income** due to (1) incremental O&M related to wildfire repair and legal fees not recoverable in rates and (2) the cost of non-securitized debt issued to finance cash outflows for wildfire damages.

**Our estimates imply rate base/authorized earnings CAGRs of roughly 7.5% for both PCG and EIX in the 2018-2022 time frame.** Based on PCG/EIX's respective authorized capital structures and RoEs we see authorized earnings growing from ~\$2bn/\$1.5bn in 2018 to ~\$2.7bn/\$1.9bn in 2022. In a "normalized" scenario, we'd expect \$1.3bn/\$0bn of equity financing for PCG/EIX from 2018-2022. Assuming a pre-wildfire issuance price, as well as the return of PCG's dividend at a 50% payout rate starting 4Q18, that implies 2018-2020 normalized EPS CAGRs of 7.0%/5.9% for PCG/EIX - above large-cap regulated utility peer median of 5.4%.

**Exhibit 37: We see strong capex for PCG...**

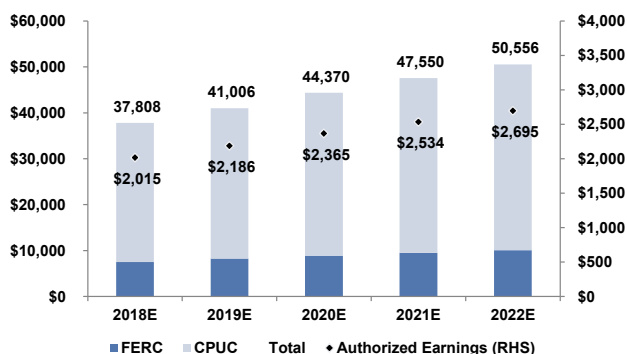
PCG regulated capital spending (\$mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 38: ....leading to a ~7.5% authorized earnings CAGR...**

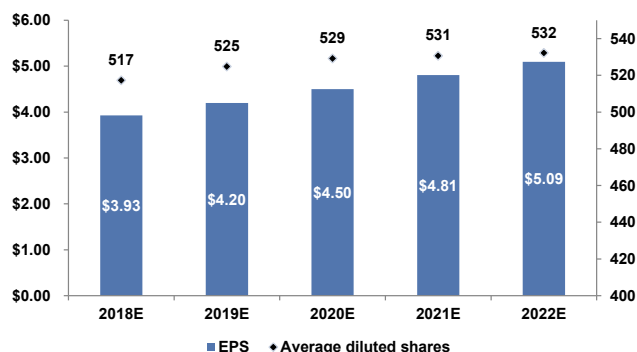
Rate base and authorized earnings (\$mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 39: ...and a 2018-2020 EPS CAGR of 7%, well above peers near ~5.4%**

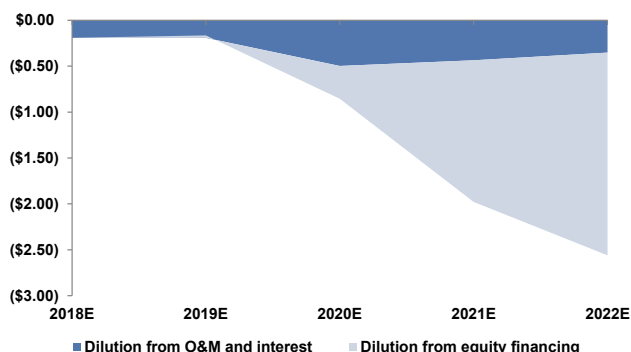
PCG EPS and average diluted shares (mn) without wildfires, 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 40: ...but we estimate wildfire damages result in ~(\$2.55) of EPS dilution in 2022**

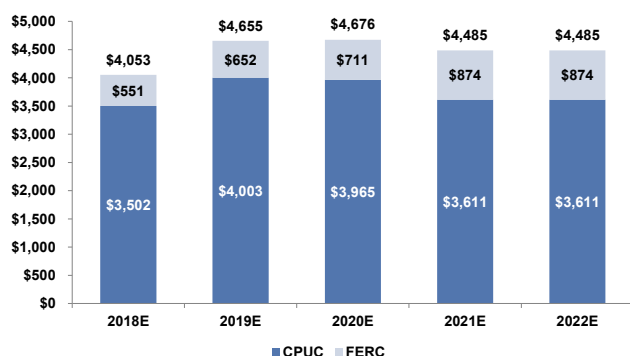
PCG EPS dilution from wildfires, 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 41: Similarly we see robust capital spending at EIX through 2022 - although slightly below guidance levels...**

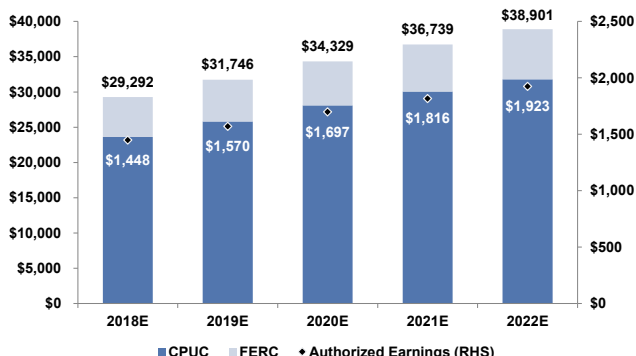
SoCal Edison regulated capital spending (\$mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 42: ...also leading to a ~7.5% authorized earnings CAGR...**

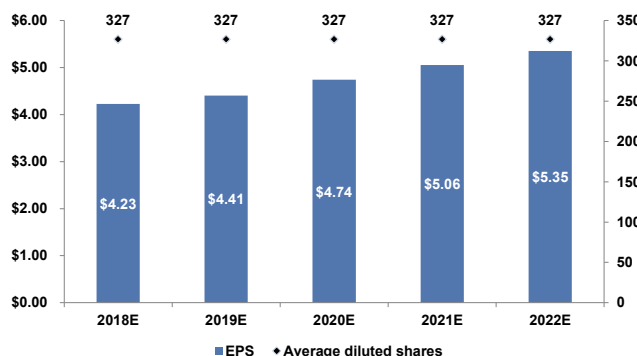
Rate base and authorized earnings (\$mn), 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 43: ...partly offset by increased drag at the parent, leading to a 5.9% EPS CAGR for 2018-2020 - below PCG but still above large-cap regulated utility peers**

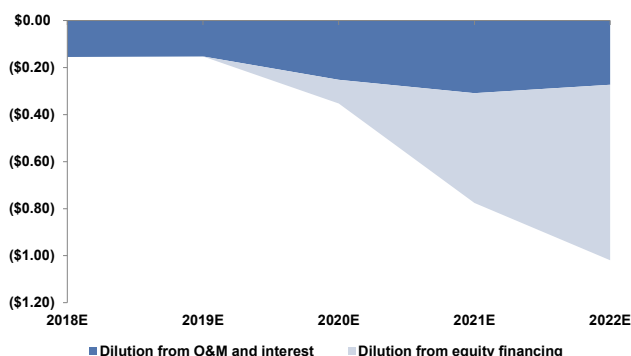
EIX EPS and average diluted shares (mn) without wildfires, 2018E-2022E



Source: Goldman Sachs Global Investment Research

**Exhibit 44: ...but still see ~(\$1) of EPS dilution for EIX in 2022 related to the Southern California wildfires...**

EIX EPS dilution from wildfires, 2018E-2022E



Source: Goldman Sachs Global Investment Research

### Securitization could be a key method to achieve CPUC's mandate to minimize harming consumers

**Per SB901, a key mandate for the CPUC remains minimizing the impact on consumers from the cost of the wildfires, with a focus on the impact to consumer bills.** Within this, we would expect the impact on customer bills will play a meaningful role in determining the threshold for stress in the CPUC's stress test (as outlined in SB 901). For illustrative purposes, we consider the impact of securitizing both 2017 and 2018 wildfire damages. Even with securitization we see a potential impact on customer electric bills of between 2.7%-23.9% for PCG customers and 0.7%-6.7% for EIX customers; this assumes (1) securitizing between 25%-100% of our estimated 2017/2018 wildfire damages (\$23.7bn of damages for PCG and \$6.6bn of damages for EIX), (2) amortizing the debt over 10-40 years, and (3) a coupon rate of 5% - assuming a slight premium to recent utility issuances - for the securitized debt. We note this analysis only reflects the cost of securitization before tax. Our forecasts assume each utility securitizes 50% of wildfire costs - and we expect the potential impact on the customers' bill from this to remain top of mind for California legislators.

#### Exhibit 45: We see a wide range of potential bill impacts for PCG's electric customers....

Annual securitized debt cost as a percent of PCG's 2018E electric revenues

% securitized	Securitization recovery periods (years)			
	10	20	30	40
25%	6.0%	3.7%	3.0%	2.7%
50%	11.9%	7.4%	6.0%	5.4%
75%	17.9%	11.1%	9.0%	8.1%
100%	23.9%	14.8%	12.0%	10.7%

Source: Goldman Sachs Global Investment Research

#### Exhibit 46: ...and a smaller impact on EIX customer bills as a result of securitization

Annual securitized debt cost as a percent of EIX's 2018E electric revenues

% securitized	Securitization recovery periods (years)			
	10	20	30	40
25%	1.7%	1.0%	0.8%	0.7%
50%	3.3%	2.1%	1.7%	1.5%
75%	5.0%	3.1%	2.5%	2.2%
100%	6.7%	4.1%	3.3%	3.0%

Source: Goldman Sachs Global Investment Research

### Valuation and risks

**We now value EIX and PCG by discounting 2022 EPS back to 2020, as we expect 2022+ EPS reflects "normal" EPS for both utilities.** We use our baseline 17x multiple on EIX's discounted 2022 EPS, but continue to apply a lower multiple - 15x - to PCG's discounted 2022 EPS given (1) significant uncertainty regarding the stress test outcome for wildfire damages and LT growth prospects for PCG and (2) our expectations that PCG continues not paying a dividend through 2021. Similarly, we use a relatively high 20% annual rate for discounting our 2022 EPS estimate back to 2020 for PCG (vs 8% for EIX - ~50% above the 5%-6% cost of capital we see for the average utility), again reflecting greater uncertainty and the lack of a dividend. We revise our 12-month price target for PCG to \$26 (from \$50) and for EIX to \$63 (from \$71) using our updated methodology (vs a 15.5x/12.5x P/E multiple on EIX/PCG 2020E EPS previously). Exhibit 48 highlights various sensitivities to our target price for PCG - with the most bullish cases implying 60%+ total long term return potential.

**Key downside risks for EIX include** (1) higher than expected wildfire damages and (2) a dividend cut/suspension as a result, (3) any potential punitive damages, (4) financing risk, and (5) regulatory risk.

**Key risks for PCG include** (1) wildfire damages, (2) the CPUC's stress threshold and potential application to 2018 wildfire damages, (3) financing risk, (4) regulatory risk, and (5) legislative risk. We particularly highlight that should the CPUC or California legislature's stance shift from supportive of PCG, this could create meaningful headwinds for valuation. Our estimates do not incorporate any fines or penalties associated with any potential civil or other investigations of PCG by the state attorney's office – given no disclosures or filings made to date by the state attorney into the 2017 wildfires that CalFire, the state wildfire agency, sent to the state attorney's office for review of PCG's performance and response to the wildfires.

For Exhibits 47 and 48, we assume a discount rate on our 2022 estimates for EIX narrowly distributed above average utility costs of capital around 5%-6%, with a wider range for PCG given greater uncertainty driving a higher cost of equity. We see less uncertainty for EIX given our estimate for significantly lower wildfire damages relative to PCG and our outlook for EIX to maintain its dividend through 2022. For illustrative purposes, our multiple range reflects a series of discounts as well as a slight premium to our baseline (17x).

**Exhibit 47: We update our 12-month price target for EIX to \$63/share...**

EIX target price sensitivity

		Discount rate				
		10%	9%	8%	7%	6%
Multiple	10.0x	\$36	\$36	\$37	\$38	\$39
	11.0x	\$39	\$40	\$41	\$42	\$42
	12.0x	\$43	\$44	\$45	\$45	\$46
	13.0x	\$47	\$47	\$48	\$49	\$50
	14.0x	\$50	\$51	\$52	\$53	\$54
	15.0x	\$54	\$55	\$56	\$57	\$58
	16.0x	\$57	\$58	\$59	\$61	\$62
	17.0x	\$61	\$62	<b>\$63</b>	\$64	\$66
	18.0x	\$64	\$66	\$67	\$68	\$69

Source: Goldman Sachs Global Investment Research

**Exhibit 48: ...and our 12-month price target to \$26/share for PCG**

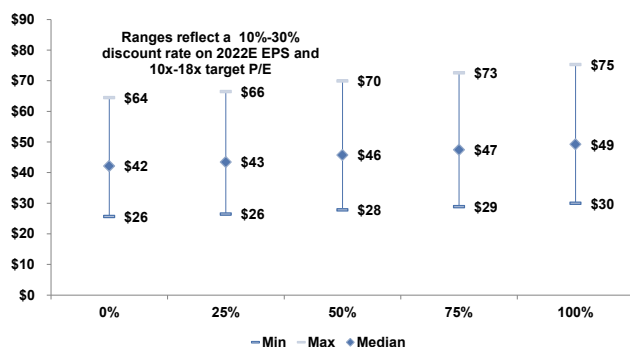
PCG price target sensitivity

		Discount rate				
		30%	25%	20%	15%	10%
Multiple	10.0x	\$15	\$16	\$18	\$19	\$21
	11.0x	\$16	\$18	\$19	\$21	\$23
	12.0x	\$18	\$19	\$21	\$23	\$25
	13.0x	\$19	\$21	\$23	\$25	\$27
	14.0x	\$21	\$23	\$25	\$27	\$29
	15.0x	\$22	\$24	<b>\$26</b>	\$29	\$31
	16.0x	\$24	\$26	\$28	\$31	\$34
	17.0x	\$25	\$28	\$30	\$33	\$36
	18.0x	\$27	\$29	\$32	\$34	\$38

Source: Goldman Sachs Global Investment Research

**Exhibit 49: We also highlight a wide range of potential target prices for EIX using our new framework and adjusting EPS to reflect 0%-100% securitization of 2018 damages...**

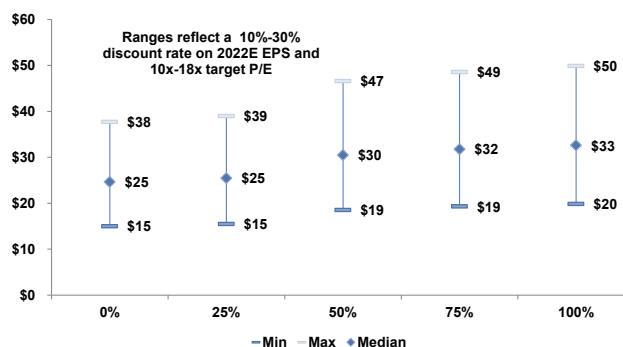
EIX price/share target ranges



Source: Goldman Sachs Global Investment Research

**Exhibit 50: ...and a similarly wide range when considering the same scenarios for PCG**

PCG price/share target ranges



Source: Goldman Sachs Global Investment Research

**Exhibit 51: We see 9%/15% total return for PCG/EIX vs large-cap regulated utility peer median around 8%**  
Large-cap regulated utility comparable analysis

Regulated Utilities Comparable Analysis													
	Ticker	Rating	Close 12/31/18	12-Mo Px. Tgt	Tot Ret to Target	EPS			P/E			Dividend Yield	Dividend CAGR
						2018E	2019E	2020E	2018E	2019E	2020E		2017A-20E
Large-Cap													
American Electric Power	AEP	Buy	\$74.74	\$78	8%	\$3.90	\$4.07	\$4.37	19.2x	18.4x	17.1x	3.6%	6.0%
Duke Energy	DUK	Sell	\$86.30	\$80	(3%)	\$4.75	\$4.90	\$5.06	18.2x	17.6x	17.1x	4.3%	4.0%
Consolidated Edison	ED	Neutral	\$76.46	\$79	7%	\$4.11	\$4.35	\$4.52	18.6x	17.6x	16.9x	3.7%	3.6%
Edison International	EIX	Buy	\$56.77	\$63	15%	\$3.94	\$4.25	\$4.39	14.4x	13.3x	12.9x	4.3%	5.0%
Eversource Energy	ES	Neutral	\$65.04	\$64	2%	\$3.30	\$3.49	\$3.72	19.7x	18.7x	17.5x	3.1%	6.7%
FirstEnergy	FE	Buy	\$37.55	\$44	25%	\$2.54	\$2.74	\$2.76	14.8x	13.7x	13.6x	7.7%	2.2%
PG&E	PCG	Neutral	\$23.75	\$26	9%	\$3.74	\$4.03	\$3.64	6.4x	5.9x	6.5x	0.0%	(8.1%)
PPL Corp	PPL	Neutral	\$28.33	\$29	8%	\$2.40	\$2.40	\$2.43	11.8x	11.8x	11.7x	5.8%	3.9%
Southern Company	SO	Sell	\$43.92	\$44	6%	\$3.01	\$3.03	\$3.02	14.6x	14.5x	14.5x	5.5%	3.5%
WEC Energy Group	WEC	Neutral	\$69.26	\$71	6%	\$3.39	\$3.49	\$3.80	20.4x	19.9x	18.2x	3.2%	5.7%
Large-Cap Mean					8%				16.3x	15.5x	14.8x	4.0%	3.7%
Large-Cap Mean (ex. PCG, EIX, and PPL)					6%				18.3x	17.5x	16.5x	4.3%	5.0%
Large-Cap Median					7%				18.2x	17.6x	16.9x	3.7%	4.0%

\*Denotes on Americas Conviction List

Source: Goldman Sachs Global Investment Research, FactSet

## The Final Innings of Shrink to Grow

**We expect the final stages of the “Shrink to Grow” theme in utilities to continue playing out in 2019**, with NRG and FE both near the tail-end of shrinking to grow, but with SRE closer to the beginning of its shrink to grow process. We continue to view shrink to grow among the most attractive themes in our sector, remaining Buy rated on all three companies - and keeping SRE on the conviction list. We highlight a handful of past notes in which we highlighted shrink to grow opportunities at (1) SRE with its Renewables, South America, and Mexico businesses, (2) NRG through portfolio optimization - combined with cost-cutting and improving the company's capital structure, and (3) FE as it transitions to a fully regulated utility.

**We highlight key steps remaining/milestones achieved for the three companies:**

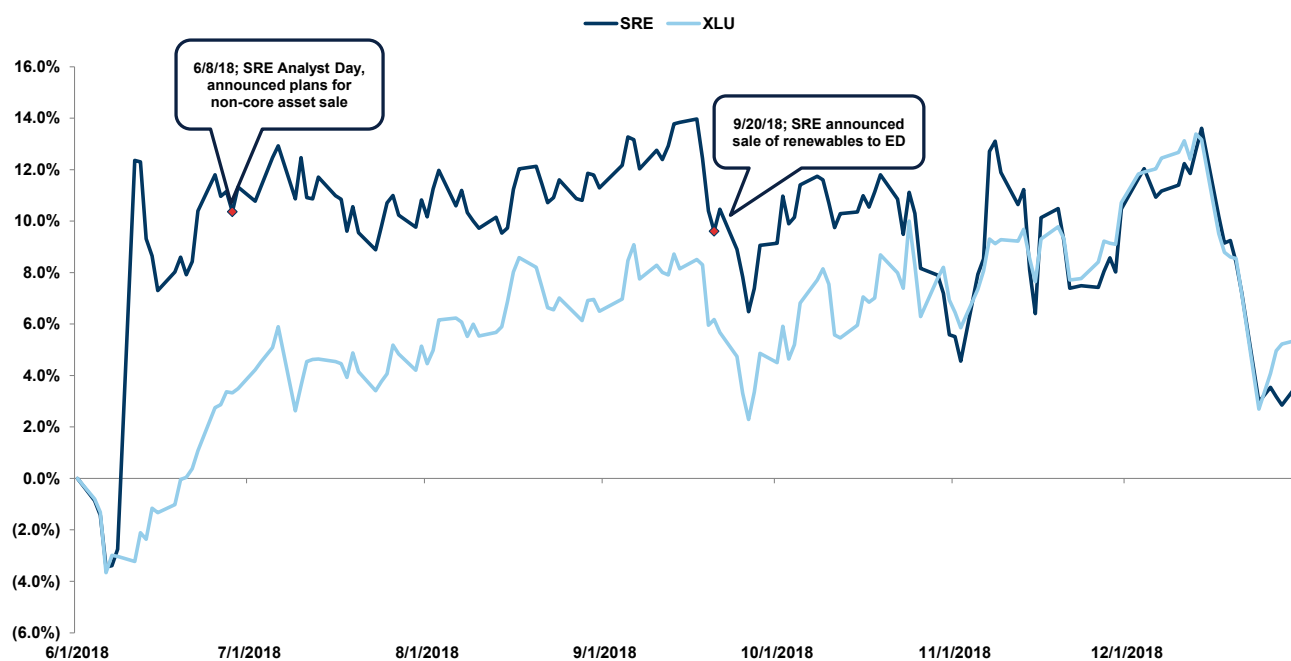
- **SRE's shrink to grow story only began recently**, with the company outlining a three-phase strategic review at its analyst day on 6/28/18. To date SRE has (1) an agreement to sell most of its renewable portfolio to ED, (2) purchased a small transmission utility in Texas adjacent to Oncor (the company's recently acquired Texas T&D utility), (3) announced intentions to sell its natural gas storage assets, and (4) increased capital spending guidance at Oncor. Phase two involves a strategic review of the South America and Mexico businesses - potentially the most impactful phase with regards to shrinking to grow - and the company previously guided to providing an update on phase two in 1Q2019. The final phase of SRE's strategic review involves the company assessing the value of its LNG business, with an update expected 1Q2020 - immediately after a year in which we expect significant LNG expansion work for SRE, with the company hoping to FID multiple projects in 2019.
- **After completing multiple asset sales and corporate simplification actions, NRG can now turn to capital allocation - we see \$2.4bn of buybacks through 2020**. Thus far NRG has largely completed the GenOn bankruptcy (guided to exit the process by 2018YE), finalized the sale of its stake in NYLD as well as the company's

other renewable assets, and largely completed the sale of its South Central business (guided to close by 2018YE). Additionally, NRG expects to reach its targeted 3.0x net debt/EBITDA by 2018YE through debt repurchases, and we forecast net debt/EBITDA at or below 3.0x through 2020. We note the company will receive \$1bn for its South Central business upon closing and that we do not incorporate the transaction in our estimates.

- **FE now evolves as a pure-play regulated utility** after largely resolving the FES bankruptcy following court approval of the settlement agreement with FES creditors on 9/25/18. We note FE remains at a steep  $\sim(3.5\times)$  FY2 P/E discount to peers on GSe despite the resolution at FES and its future as a fully regulated utility. FE outlined its plan to focus on the company's core distribution and transmission segments on 2/20/18 (shortly after announcing incremental equity financing to support FE following the FES bankruptcy), and more recently issued guidance on cost management post-FES at 3Q2018 earnings.

**Exhibit 52: We highlight SRE's 8% underperformance relative to the XLU since the analyst day in June 2018 and 4% since the renewables sale announcement to ED...**

SRE Price performance vs XLU since June 2018



Source: Goldman Sachs Global Investment Research, FactSet, Company data

**Exhibit 53: ...and that SRE still remains among the most complex companies in the utilities space**

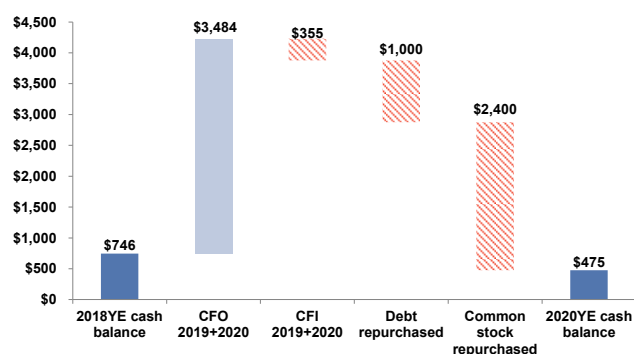
SRE SOTP valuation

Sempra Fundamental Sum-of-the-Parts								
Segment	2020 EPS	2020 EBITDA	P/E	EV	Net debt	Present value factor	Shares (mn)	Equity value/share
SDG&E	\$2.39		17.5x					\$42
SoCalGas	\$1.67		20.0x					\$33
Oncor	\$1.83		17.0x					\$31
South America	\$0.84		12.5x					\$11
<b>Utilities</b>								<b>\$117</b>
Mexico		Based on GS LatAm target value \$8.1bn (SRE owns 66%)					292	\$17
Midstream/LNG		\$762		\$8,377	(\$3,934)	1.09	292	\$14
US LNG Expansion	2025 run-rate -->	\$1,286	35% probability	\$14,151	(\$5,858)	1.63	292	\$6
ECA Phase One	2025 run-rate -->	\$152	50% probability	\$1,675	(\$787)	1.63	292	\$1
ECA Phase Two	2030 run-rate -->	\$698	10% probability	\$7,679	(\$3,606)	2.46	292	\$1
Renewables		\$43		\$412	(\$676)	1.09	292	(\$1)
<b>Infrastructure</b>								<b>\$38</b>
HoldCo	(\$1.35)		17.0x					(\$23)
<b>SRE total</b>								<b>\$132</b>

Source: Goldman Sachs Global Investment Research

**Exhibit 54: We expect NRG maintains net debt/EBITDA at or below 3.0x through debt repurchases, but still has capital to repurchase \$2.4bn of common stock in 2019/2020...**

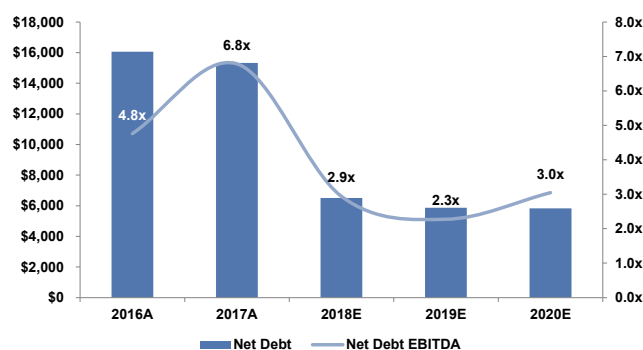
NRG capital allocation in 2019+2020 (\$mn)



Source: Goldman Sachs Global Investment Research

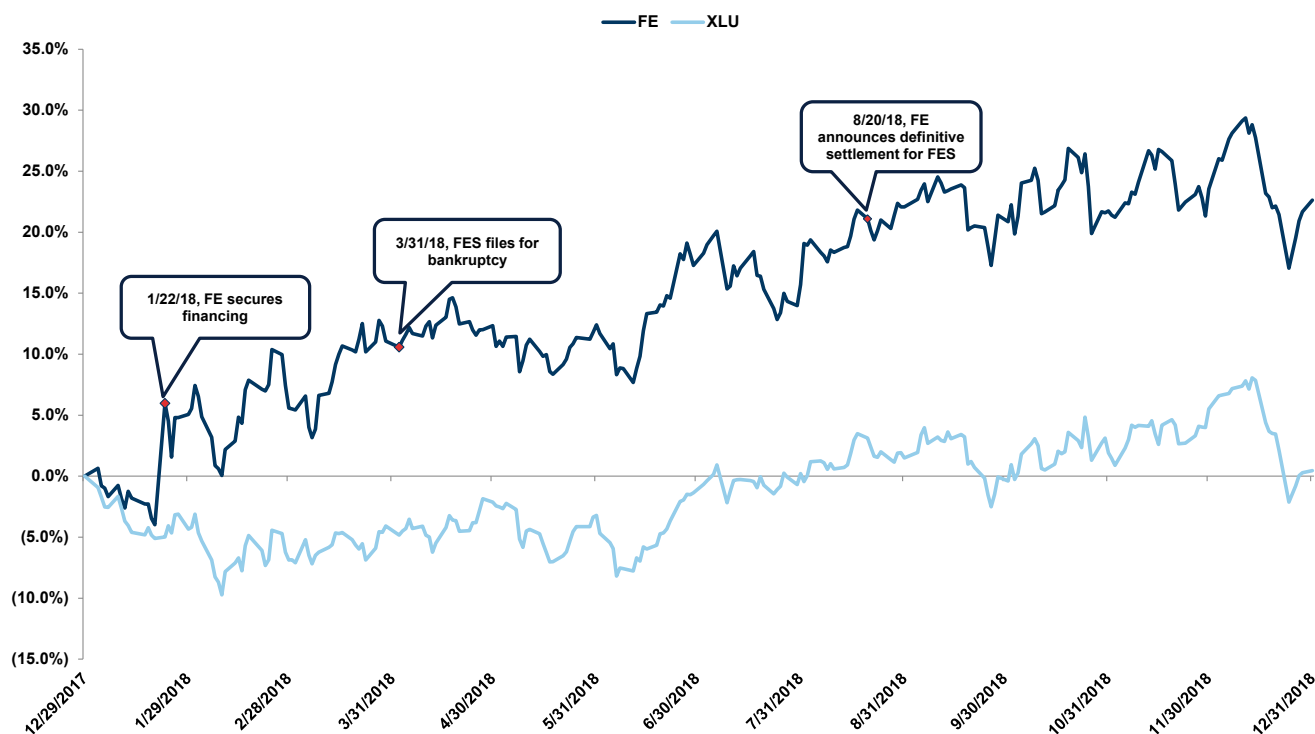
**Exhibit 55: ...and highlight the significant improvement in NRG's net debt/EBITDA over the last two years**

NRG net debt (\$mn) and net debt/EBITDA



Source: Goldman Sachs Global Investment Research

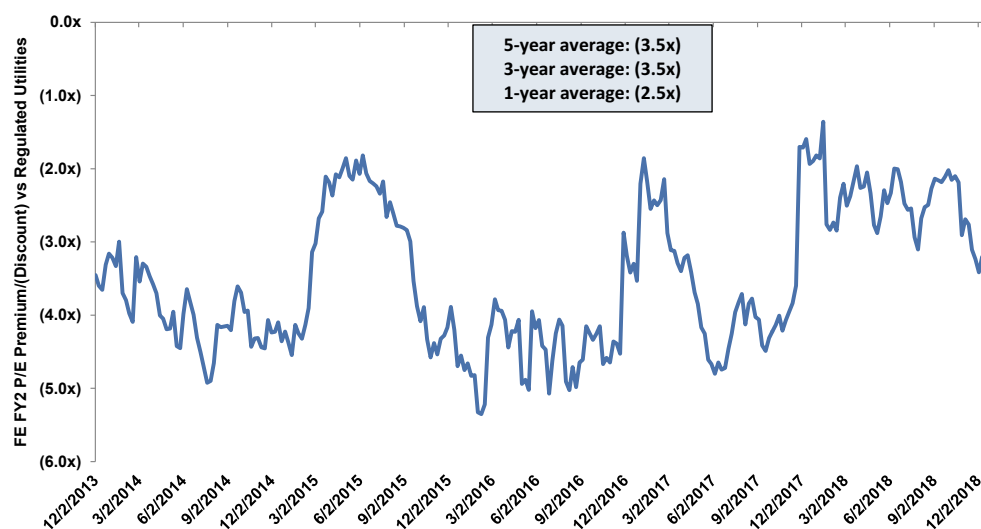
**Exhibit 56: We note FE's 5% outperformance relative to the XLU since filing FES, 3% since the settlement agreement with creditors, and 9% since announcing the financing related to the FES settlement...**  
FE YTD Price performance vs XLU



Source: Goldman Sachs Global Investment Research, FactSet, Company data

**Exhibit 57: ...but continue to see multiple expansion upside with FE still trading at a (3.5x) discount to regulated utility peers on GSe and ~3x on Factset consensus - despite transitioning in to a fully regulated utility**

FE FY2 P/E Premium/(Discount) vs Regulated Utilities on Factset consensus estimates



Source: Goldman Sachs Global Investment Research, FactSet

## Cleaning up - the roll out of wind and solar ahead

**Renewable development should continue to accelerate towards our estimate of nearly 200 GW's or more of new utility scale and other renewables by 2030, as the majority of our coverage gets involved.** It's not just renewable developers anymore - companies across our coverage universe see increasing exposure to a shifting fuel mix, including Regulated Utilities that sign PPAs for renewable supply or add new wind and solar generation into rate base, as well as IPPs & YieldCo's which continue to retire fossil fuel plants and shift attention towards clean energy. We see a handful of leaders across our coverage, including renewable developers (NEE and AGR, which maintain some of the largest portfolios of renewable capacity in the US) as well as the Regulated Utilities that operate in traditionally coal-heavy states (FE, NI, AEP) or states that are considering or already maintain particularly aggressive RPS targets (PNW, PCG, EIX). Interest in offshore wind development also continues to ramp, driven by current outstanding RFPs and legislative mandates in the northeast, and we expect cost curves for both onshore and offshore wind - as well as solar - to decline, further improving the economics of renewable generation. Overall, we expect a handful of key themes to drive increased renewable development in 2019 and beyond - including fleet transformation, ambitious RPS mandates, declining cost curves, and offshore wind expansion - discussed in detail below.

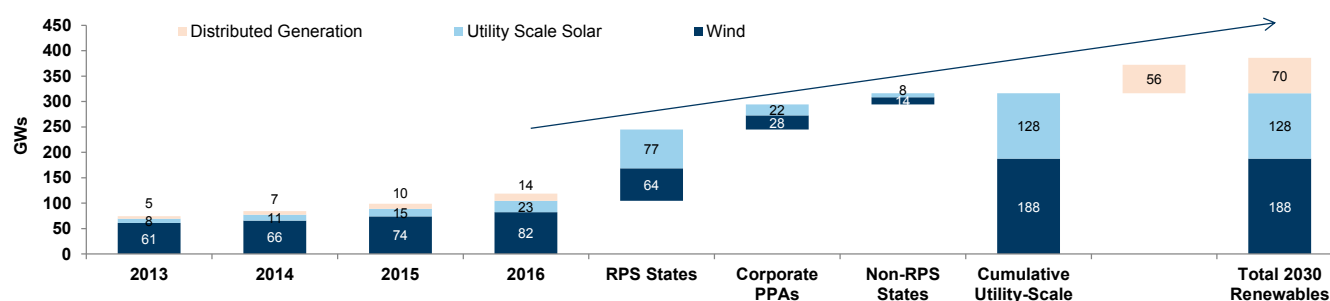
- **Adding renewable capacity into traditionally coal-heavy states translates into earnings growth for the sector**, as we see significant growth opportunity for regulated utilities that remain large owners of total capacity in states that currently experience minimal penetration of renewables and still rely on coal to supply most of the generation. We highlight companies like FE, NI, AEP, PPL, and AEE which already maintain significant capacity in states like Indiana, West Virginia, Missouri, and Kentucky, and expect these companies to transform their fleet either via power plant development there or by building transmission to import renewable supply, which should drive long-term rate base and earnings growth over the coming years.
- **State renewable portfolio standards (RPS) should continue to drive renewable investment** particularly in (1) California, where we estimate 65 GW of new wind and solar will need to come online by 2045 in order to meet the California 100% RPS, (2) Arizona, where the proposal for an 80% RPS by 2050 - included in the Arizona Energy Modernization Plan - would require 15 GWs of new renewable capacity, costing nearly \$20bn on our estimates, as well as nearly \$5bn in added transmission costs to make necessary grid upgrades, and (3) other states like New York, Maine, and Massachusetts which also maintain particularly aggressive RPS mandates or targets. We expect non-regulated renewable developers like NEE, AGR, CWEN, and ED to benefit from increased demand for wind and solar newbuild, while the regulated utilities within the RPS states should benefit from transmission investment needed to ready the grid system for an influx of renewable capacity.
- **Wind and solar provide among the cheapest forms of generation on a levelized cost of energy (LCOE) basis**, given a multitude of positive factors including reduced construction costs, higher capacity factors, bonus depreciation, and the utilization of

the current \$23/MWh PTC for wind and 30% ITC for solar. Despite the phase-down of the PTC and ITC beginning in 2020, we expect further wind and solar cost declines to continue supporting renewable development through the gradual phase down of both programs. We also note that while wind and solar remain competitive options for regulated and non-regulated developers alike, we expect non-regulated developers to offer renewable capacity prices at roughly 10%-15% lower than regulated utilities given tools such as 100% bonus depreciation and a more flexible capital structure. Wind development should provide the cheapest new form of generation on an LCOE basis and remains economical to build for less than off-peak power price forwards across several of the US power markets – including PTCs – while our solar estimates come near or below on-peak forward levels in several markets, before accounting for new T&D.

**The next frontier: offshore wind?** Renewable developers like AGR should benefit from a large investment cycle in US offshore wind set to accelerate in the 2020s, assuming favorable contract prices and construction cost management. Difficulty in siting and permitting could still pose headwinds for development, especially in achieving NJ and NY's ambitious 3.5GW and 2.4GW mandates by 2030 respectively. If achieved, we expect the majority of the development likely occurring towards the end of the 2020s due to a combination of delays, multi-year RFP construction timelines, and a more competitive value proposition for offshore wind over time. We expect Vineyard Wind - AGR's joint venture chosen to develop the first large-scale offshore wind plant in the US - to prove moderately accretive in the first few years of the project's life, though we note significant risk of cost overruns given the project remains "first of its kind".

#### Exhibit 58: We expect 200+ GW's of renewable development in the US by 2030...

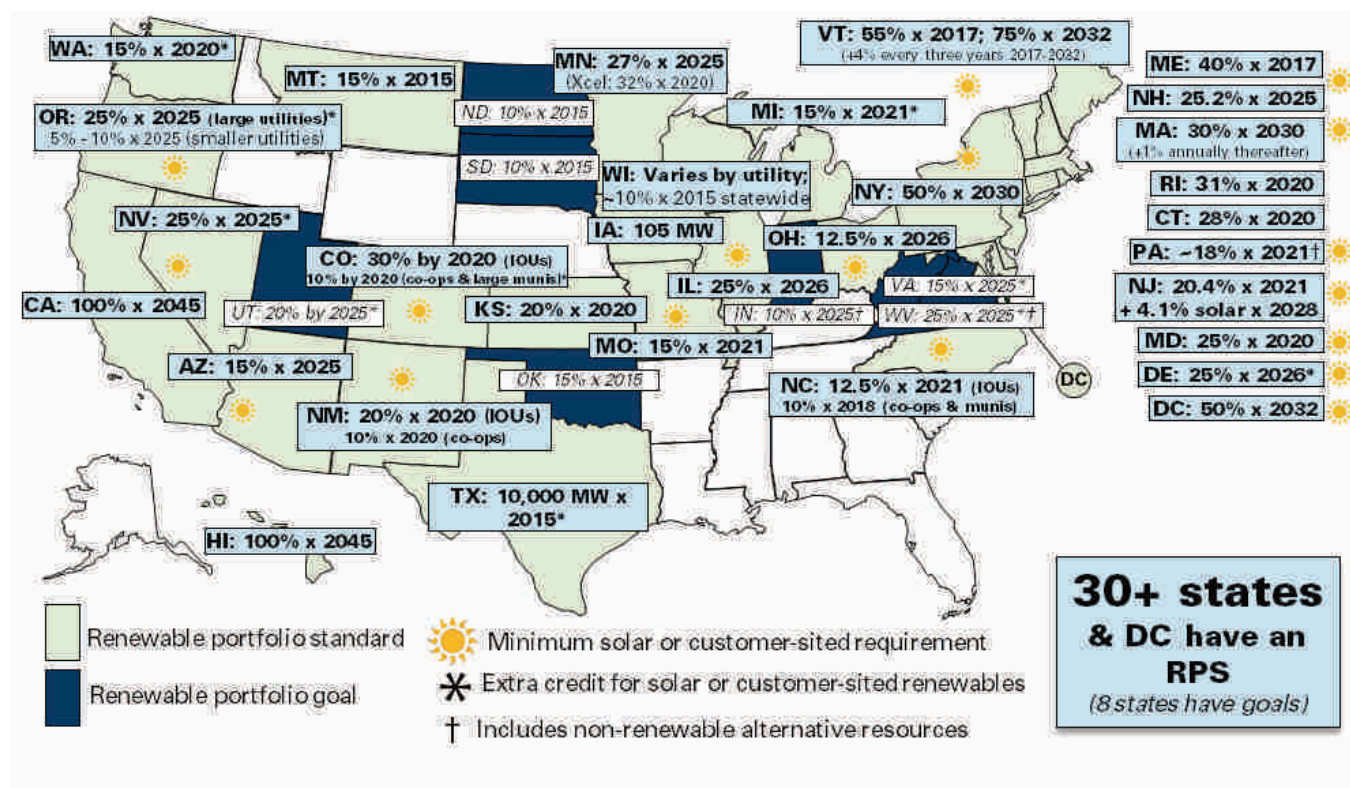
GS renewable development forecast, 2016YE-2030



Source: Goldman Sachs Global Investment Research, DSIRE, EIA, SNL

**Exhibit 59: ...as the majority of the US maintains state targets or goals for renewable generation...**

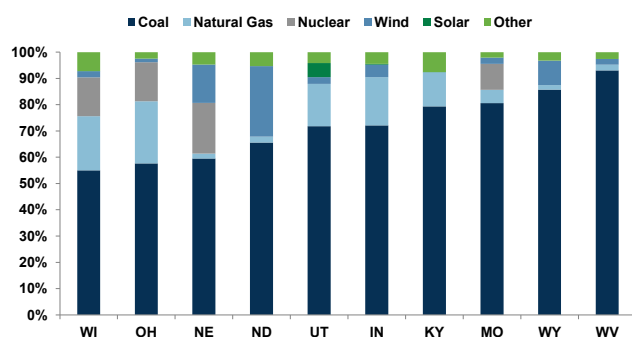
Renewable portfolio standard or goal, by state



Source: DSIRE, Goldman Sachs Global Investment Research

**Exhibit 60: ...while many traditionally coal-heavy states still do not see significant renewable generation...**

Generation by fuel type, 2017



Source: EIA, Goldman Sachs Global Investment Research

**Exhibit 61: ...creating earnings growth opportunities for renewable developers and regulated utilities alike...**

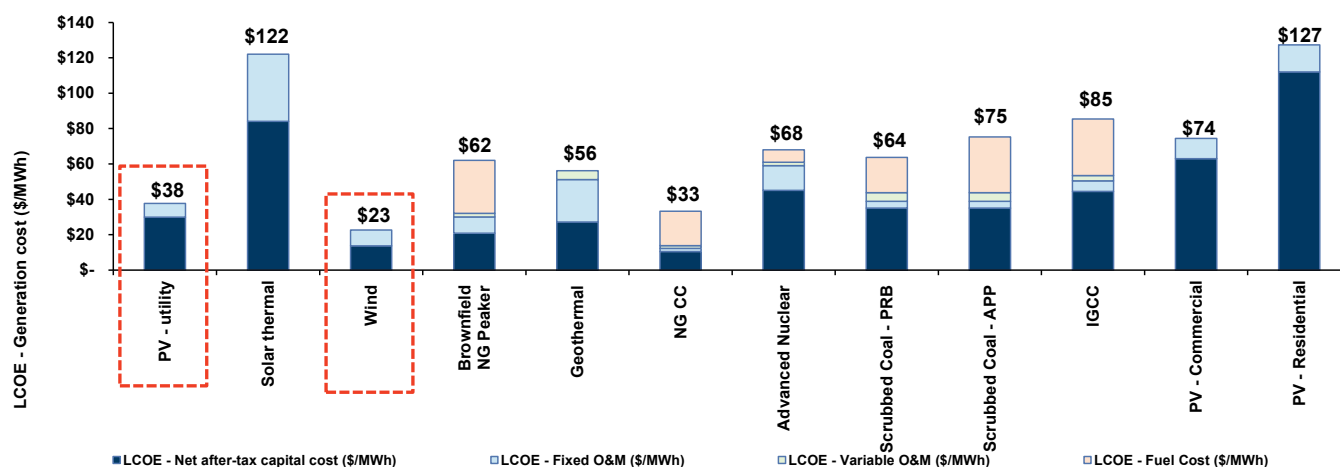
Key names exposed to renewable development

	Ticker	Exposure to Renewable Development
Renewable Developers	NEE	Renewable developers benefit from additional project opportunities and subsequent development fees or contracted assets under operation, via utility or distributed scale.
	AGR	
	CWEN	
	ED	
Regulated Utilities	FE	Regulated Utilities in states that are coal-heavy or maintain a high RPS target benefit from increased investment opportunities in generation, transmission and distribution infrastructure, facilitating rate base growth.
	NI	
	AEP	
	PNW	
	PCG	
	EIX	

Source: Goldman Sachs Global Investment Research

**Exhibit 62: ...as wind and solar provide among the cheapest forms of generation on an LCOE basis...**

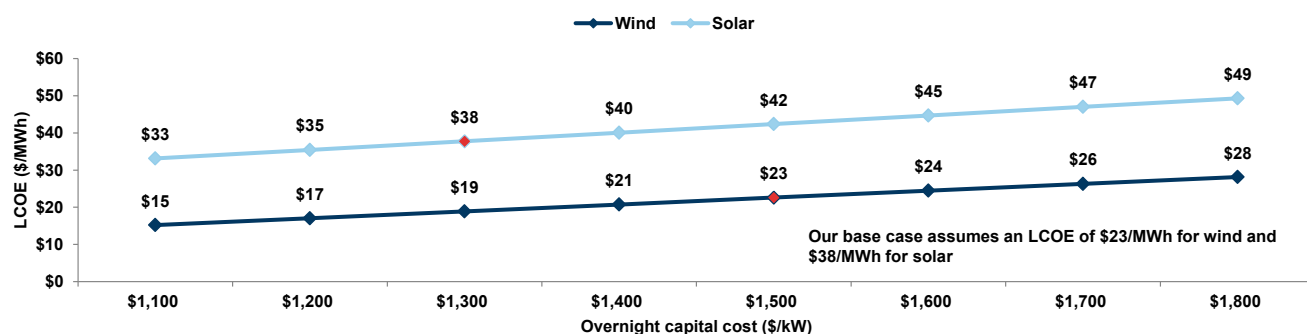
Levelized cost of energy (LCOE) by fuel type



Source: Goldman Sachs Global Investment Research

**Exhibit 63: ...though we note our wind and solar LCOE estimates are sensitive to our overnight capital cost assumptions**

Sensitivity of wind and solar LCOE to various capital cost assumptions



Source: Goldman Sachs Global Investment Research

**EVRG: Raise target price but, downgrade from Neutral to Sell; see shares overvalued relative to growth profile...**

**We downgrade EVRG to Sell from Neutral relative to our coverage given that we see a total return potential of 2% versus roughly 8% for large-cap regulated utility peers.** We revise our 12-month target price on EVRG to \$56 (from \$53) to reflect a higher baseline regulated multiple of 17.0x from 16.0x on our unchanged estimates, assuming an inline multiple for EVRG (unchanged). However, we view these attributes as already "priced in" to the shares and current valuation with EVRG trading at an 16% premium (4% excluding PCG and EIX given significant wildfire related underperformance, and PPL given its UK exposure), on our 2020E EPS vs the large-cap regulated utilities average. We do not view EVRG as a premium utility given WR/GXP (the companies that merged to form EVRG in June) historically traded at discounts and we see below average rate base growth (driving lower long term earnings power) for the

newly formed EVRG. We remain positive on EVRG's fundamentals with our downgrade primarily a "valuation call" which presents the likelihood of tactical headwinds such as an acceleration of the share buyback program.

EVRG		12m Price Target: \$56		Price: \$56.58		Downside: 1%	
Sell		GS Forecast					
			12/17	12/18E	12/19E	12/20E	
Market cap: \$14.9bn	Revenue (\$ mn) New	2,571.0	4,677.6	5,374.9	5,444.3		
Enterprise value: \$20.8bn	Revenue (\$ mn) Old	2,571.0	4,677.6	5,374.9	5,444.3		
3m ADTV :\$98.1mn	EBITDA (\$ mn)	1,030.5	1,686.7	2,215.4	2,302.5		
United States	EBIT (\$ mn)	658.7	1,012.8	1,420.0	1,487.8		
America-Regulated Utilities: Neutral	EPS (\$ ) New	2.27	2.71	2.93	3.29		
	EPS (\$ ) Old	2.27	2.71	2.93	3.29		
	P/E (X)	23.3	20.9	19.3	17.2		
	Dividend yield (%)	3.0	3.1	3.4	3.6		
	Net debt/EBITDA (X)	3.9	4.9	4.5	4.7		
		9/18	12/18E	3/19E	6/19E		
	EPS (\$)	1.32	0.06	0.38	0.99		

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 26 Dec 2018 close.

**We see moderating capital spending as a negative given that EVRG's rate base growth of ~2.5% appears well below peer averages,** closer to ~6%. We remain slightly below consensus on 2019 and in line on 2020 EPS forecasts even as we embed more than \$390m in O&M plus G&A cost savings relative to 2016 levels inclusive of the savings from announced plant retirements. We see a slowdown in buybacks possibly driven by market conditions, weak power demand in EVRG's service territory, and EVRG potentially missing its merger cost synergy targets as prospective catalysts for shares to remain range bound.

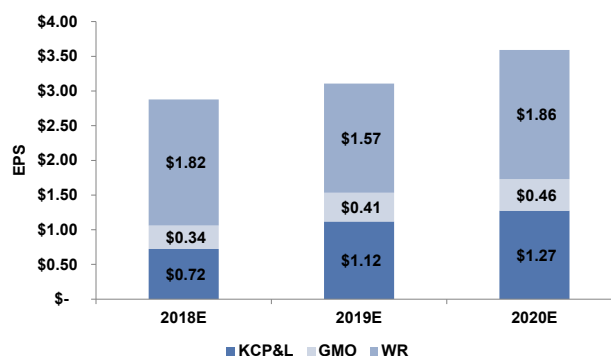
**The company remains on track with its 60mn share buyback program (through 2020) with around 9.5mn shares bought back to date.** However, we believe that the positive impact from the share buyback is already behind us considering that the buybacks were announced back in 2017. We do however see potential for the ~50m shares remaining in the buyback to come in faster than expected with a strong multi-year free cash flow profile driven by moderating capital spending and O&M cost savings.

**What could make us more positive/upside risks for EVRG:** (1) higher than forecast cost reductions from the merger with every \$10mn in savings adding \$0.03-\$0.04 to our 2020E EPS, all else equal, (2) more rapid/increased levels of share buybacks relative to our estimates and prior disclosures (with every \$5mn of buybacks impacting EPS by ~1.3% given the current share price), or (3) higher capital spending and therefore rate base growth – which would enhance post 2020 regulated earnings power.

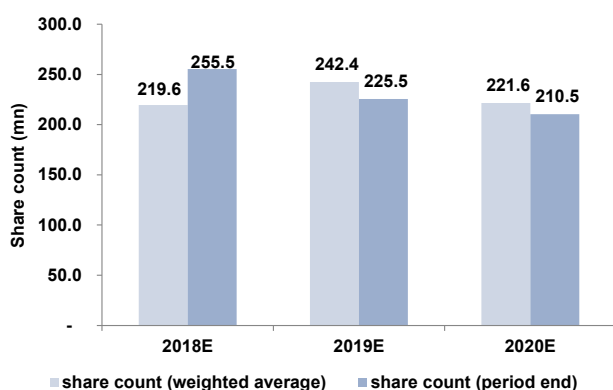
**Exhibit 64: We maintain our 2018-2020 EPS forecasts...**  
EVRG EPS New vs Old vs Consensus, 2018E-2020E

	EPS			Difference	
	New	Old	Cons.	vs. old	vs. cons.
2018E	\$2.71	\$2.71	\$2.56	0%	6%
2019E	\$2.93	\$2.93	\$2.95	0%	-1%
2020E	\$3.29	\$3.29	\$3.29	0%	0%

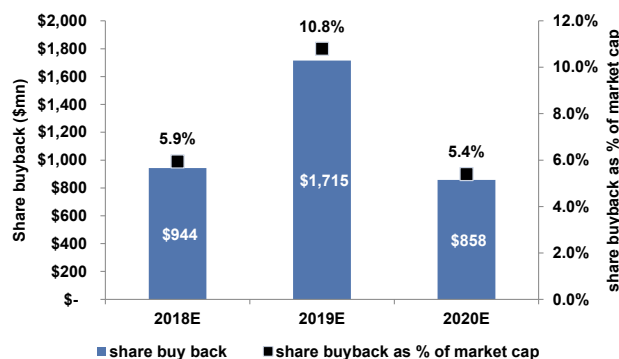
Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 65: ...and continue to forecast a step-up in earnings across the regulated subsidiaries...**  
EPS (\$) by segment 2018E-2020E

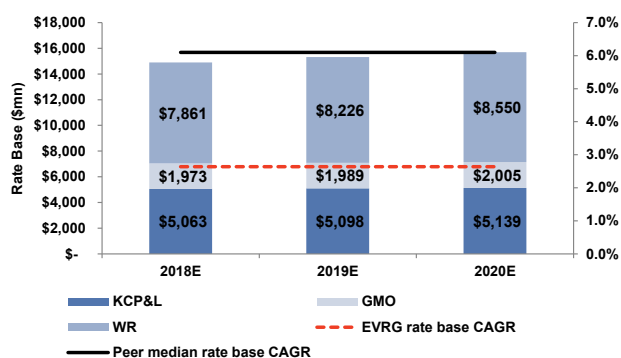
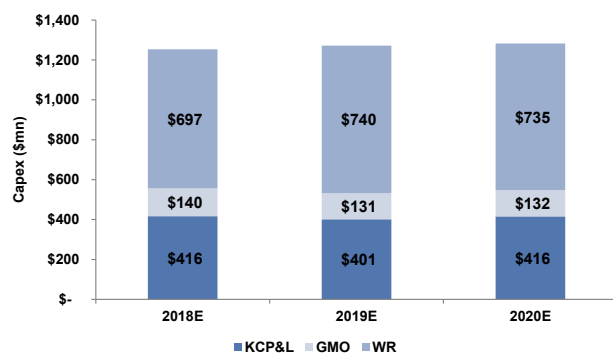
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 66: ... and expect EVRG to buy back 53m shares (9.5mn bought back till date)...**  
Share count 2018E-2020E

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 67: .... or more than 20% of the current market capitalization over the next two years, as discussed throughout the merger process...**  
Share buyback (\$mn & as % of current market cap)

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 68: ...however rate base growth of ~2.5% appears below peer averages, as planned capital spending moderates...**  
Capex and Rate Base (\$mn) by segment 2018E-2020E

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 69: .... and we note that EVRG has underperformed XLU since the merger announcement in June 2018...**

EVRG stock price performance relative to XLU since merger announcement



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 70: ...and now trades at a 16% premium (4% ex. PCG, EIX & PPL) on our 2020E EPS vs the regulated large cap mean with a total return potential of 2% vs regulated mean of 8%**

Large cap Regulated Utilities comparable analysis

Regulated Utilities Comparable Analysis												
	Ticker	Rating	Close 12/31/18	12-Mo Px. Tgt	Tot Ret to Target	EPS			P/E			Dividend Yield
						2018E	2019E	2020E	2018E	2019E	2020E	2017A-20E
<b>Large-Cap</b>												
American Electric Power	AEP	Buy	\$74.74	\$78	8%	\$3.90	\$4.07	\$4.37	19.2x	18.4x	17.1x	6.0%
Duke Energy	DUK	Sell	\$86.30	\$80	(3%)	\$4.75	\$4.90	\$5.06	18.2x	17.6x	17.1x	4.0%
Consolidated Edison	ED	Neutral	\$76.46	\$79	7%	\$4.11	\$4.35	\$4.52	18.6x	17.6x	16.9x	3.7%
Edison International	EIX	Buy	\$56.77	\$63	15%	\$3.94	\$4.25	\$4.39	14.4x	13.3x	12.9x	4.3%
Evergy	EVRG	Sell	\$56.77	\$56	2%	\$2.71	\$2.93	\$3.29	21.0x	19.4x	17.3x	3.3%
Eversource Energy	ES	Neutral	\$65.04	\$64	2%	\$3.30	\$3.49	\$3.72	19.7x	18.7x	17.5x	3.1%
FirstEnergy	FE	Buy	\$37.55	\$44	25%	\$2.54	\$2.74	\$2.76	14.8x	13.7x	13.6x	7.7%
PG&E	PCG	Neutral	\$23.75	\$26	9%	\$3.74	\$4.03	\$3.64	6.4x	5.9x	6.5x	0.0%
PPL Corp	PPL	Neutral	\$28.33	\$29	8%	\$2.40	\$2.40	\$2.43	11.8x	11.8x	11.7x	5.8%
Southern Company	SO	Sell	\$43.92	\$44	6%	\$3.01	\$3.03	\$3.02	14.6x	14.5x	14.5x	5.5%
WEC Energy Group	WEC	Neutral	\$69.26	\$71	6%	\$3.39	\$3.49	\$3.80	20.4x	19.9x	18.2x	3.2%
<b>Large-Cap Mean</b>					<b>8%</b>				<b>16.3x</b>	<b>15.5x</b>	<b>14.8x</b>	<b>4.0%</b>
<b>Large-Cap Mean (ex. PCG, EIX, and PPL)</b>					<b>6%</b>				<b>18.3x</b>	<b>17.5x</b>	<b>16.5x</b>	<b>4.3%</b>
<b>Large-Cap Median</b>					<b>7%</b>				<b>18.2x</b>	<b>17.6x</b>	<b>16.9x</b>	<b>3.7%</b>

\*Denotes on Americas Conviction List

Source: Goldman Sachs Global Investment Research, FactSet

**...and we downgrade EXC to sell on valuation**

**We downgrade EXC from Neutral to Sell on valuation relative to our coverage** with (1%) downside to our unchanged \$43 12-month price target per our SOTP valuation versus 9% upside for diversified utilities. While the stock screens relatively attractive on

a P/E basis (13.9x versus utility average of 15.3x on our 2020E EPS), we note EXC, as a Diversified Utility, does not trade purely on P/E and the merchant business does not warrant as a high of a multiple as regulated operations given uncertainty related to merchant power earnings and cash flow. We continue to like EXC's robust utility growth and ExGen's positive cash profile; however, we see valuation as stretched at current levels. Since the end of 1Q18, EXC's share price increased 17% versus an 5% increase for the sector and (4%) decrease for the S&P 500. We attribute the outperformance due to 1) positive 2021/2022 PJM capacity auction results in May, 2) recent market volatility resulting in a bid to defensive utility stocks (with EXC the fifth largest component of the XLU by market cap), and 3) the recent spike in both spot/forward gas prices (largely weather-driven but also potentially reflecting some impact of proposed PJM market reforms).

EXC		12m Price Target: \$43		Price: \$44.48		Downside: 3.3%	
Sell		GS Forecast					
			12/17	12/18E	12/19E	12/20E	
Market cap: \$43.1bn	Revenue (\$ mn) New	33,530.0	33,640.2	26,789.4	26,548.9		
Enterprise value: \$80.4bn	Revenue (\$ mn) Old	33,530.0	33,640.2	26,687.4	26,563.4		
3m ADTV :\$270.7mn	EBITDA (\$ mn)	7,639.0	8,440.3	8,985.1	9,002.5		
United States	EBIT (\$ mn)	3,811.0	4,163.3	5,028.5	5,274.5		
America-Diversified Utilities: Neutral	EPS (\$ ) New	2.60	3.08	3.21	3.26		
	EPS (\$ ) Old	2.60	3.08	3.18	3.30		
	P/E (X)	14.3	14.4	13.9	13.7		
	Dividend yield (%)	3.5	3.1	3.3	3.4		
	Net debt/EBITDA (X)	4.5	4.1	3.8	3.8		
		9/18	12/18E	3/19E	6/19E		
	EPS (\$)	0.88	0.54	1.00	0.77		

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 26 Dec 2018 close.

**We adjust our 2018-2020 EPS estimates to \$3.08/\$3.21/\$3.26** from \$3.08/\$3.18/\$3.30 previously and versus consensus of \$3.12/\$3.14/\$3.17. The changes to our outer-year estimates reflect forward power price changes per our updated price deck, providing a benefit in 2019 but a headwind for 2020; we note our price assumptions are moderately below current forwards. We attribute our above-consensus estimates to additional O&M savings versus current guidance and slightly higher utility rate base. While consensus rising to our estimates could present a slight headwind to our outlook for the shares, we still see EXC as overvalued, driving our Sell rating.

**We update our SOTP valuation methodology to arrive at our unchanged \$43 price target.** On the regulated side, we now utilize our updated 17x P/E for all of EXC's regulated utilities, up from 16x utilized prior resulting in a \$1 per share of additional value. At ExGen, we apply a 7x EV/EBITDA multiple (unchanged) to the segment's 2020 "open" EBITDA, which excludes the impact from existing energy hedges; we then add the value of hedges separately. Our previous SOTP had applied the multiple to the hedged 2020 EBITDA - we now remove the hedges to better reflect ongoing earnings power. We note our \$43 SOTP based target price implies ~13.25x 2020E P/E vs EXC at ~13.9x given its current share price and peer median of ~14.8x.

**We break down our fundamental view of EXC and the company's earnings power into two categories (1) regulated operations and (2) non-regulated (ExGen):**

- 1. EXC's regulated business consists of EXC's legacy utilities (BGE, ComEd, and PECO) and the PHI utilities (acquired in 2016).** We continue to see the PHI utilities as a turnaround story, as the subsidiaries historically earned below authorized RoEs - but we note our expectation for improving RoEs through 2020, driven by cost management and rate case outcomes. EXC's legacy utilities historically earn at or near authorized RoEs, which we expect to continue given EXC's track record of execution at these subsidiaries. We see ~3.75% annual EPS growth at the regulated segments from 2018-2020. EXC failing to increase authorized RoEs, or increasing them at a slower pace, at the PHI utilities could provide incremental downside to our forecasts.
- 2. EXC's non-regulated business, ExGen, remains a significant source of cash flow for EXC,** which helps fund regulated utility capital spending while avoiding more meaningful debt/equity financing. We assume slightly higher than guided O&M management at ExGen (again given EXC's track record of execution), which keeps our 2020E earnings at ExGen largely flat to 2018 - despite our expectations for significantly lower revenues. Weakening power market fundamentals could drive ExGen earnings and cash flow down through 2020, creating potential incremental downside to our forecasts.

**What would make us more positive/upside risks:** (1) favorable outcomes in the current capacity and energy price reform dockets which could improve the earnings and cash flow profile at Generation (particularly in 2020+), and (2) continued earned ROE improvements above current assumptions at the PHI utilities with every 0.5% in additional RoE implying ~\$0.03 of upside to our 2020E.

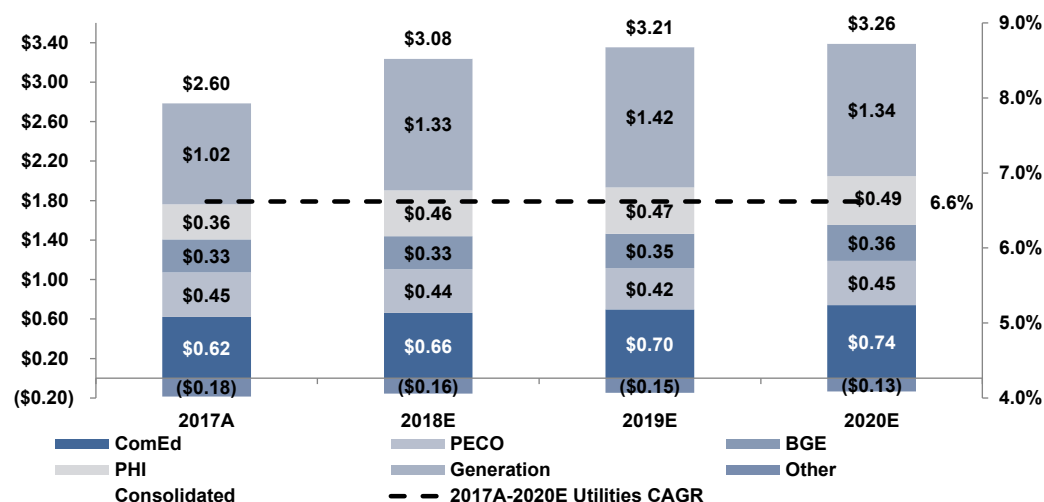
**Exhibit 71: We update estimates for EXC to reflect forward power price changes per our updated price deck...**

EPS New vs Old vs Consensus, 2018-2020

	EPS Estimates			% Difference	
	GS- New	GS- Old	Cons.	vs. Old	vs. Cons.
2018E	\$3.08	\$3.08	\$3.12	0%	(1%)
2019E	\$3.21	\$3.18	\$3.14	1%	2%
2020E	\$3.26	\$3.30	\$3.17	(1%)	3%

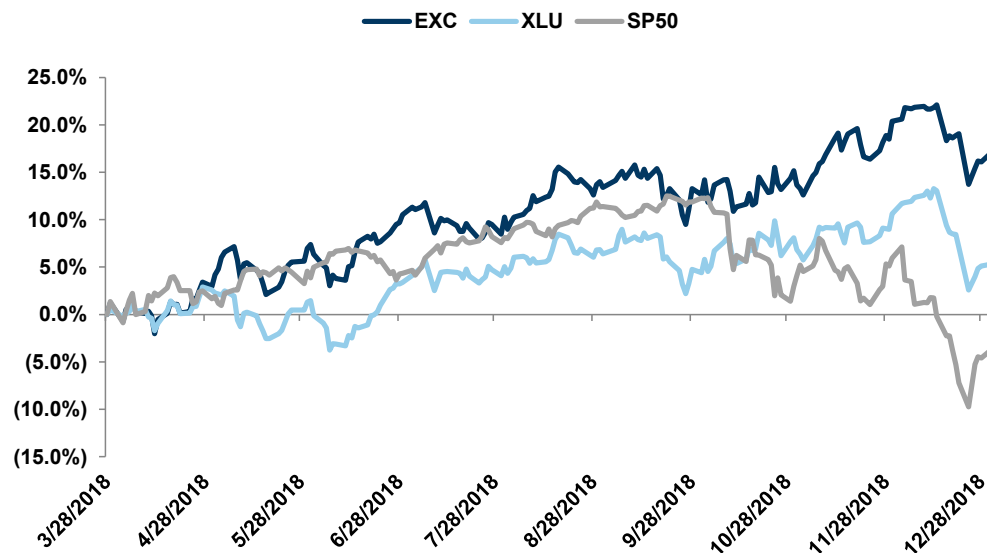
Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 72: ... with a 6.6% robust regulated EPS Growth over 2017A-2020E...**  
EPS by segment, 2017A-2020E



Source: Goldman Sachs Global Investment Research, Company data

**Exhibit 73: ...however, we note that EXC has outperformed XLU/S&P by 12%/21% since March 2018 with the recent performance driven by macro volatility and power price increase...**  
EXC Price Performance vs XLU & S&P



Source: Goldman Sachs Global Investment Research, FactSet

**Exhibit 74: ...and see valuation as stretched with our SOTP unchanged at \$43...**

EXC SOTP valuation, New vs Old

EXC (New)	
<b>Regulated Utilities</b>	
Regulated Utilities 2020 EPS	\$2.03
Target P/E multiple	17.0x
<b>Regulated Utilities Equity Value per Share</b>	<b>\$35</b>
<b>Exelon Generation</b>	
Exelon Generation's Interest in 2020 Open EBITDA (\$mm)	\$2,293
Target EV/EBITDA multiple	7.00x
<b>Exelon Generation Enterprise Value (\$mm)</b>	<b>\$16,049</b>
Exelon Generation Enterprise Value Adjustments & Net Debt	(5,322)
<b>Exelon Generation Equity Value (\$mm)</b>	<b>\$10,727</b>
2020 Diluted Share Count	970
<b>Exelon Generation Equity Value per Share</b>	<b>\$11</b>
<b>Holding Company</b>	
Exelon Holding Company 2020 EPS	(\$0.14)
Target P/E multiple	17.0x
<b>Exelon Holding Company Equity Value per Share</b>	<b>(\$2)</b>
<b>Total Value per Share</b>	<b>\$43</b>

EXC (Old)	
<b>Regulated Utilities</b>	
ComEd 2020 EPS	\$0.74
PECO 2020 EPS	0.46
BGE 2020 EPS	0.36
<b>Legacy EXC Regulated Utilities 2020 EPS</b>	<b>\$1.57</b>
Target P/E multiple	16.0x
<b>Legacy EXC Regulated Utilities Equity Value per Share</b>	<b>\$25</b>
<b>PHI 2020 EPS</b>	<b>\$0.49</b>
Target P/E multiple	16.0x
<b>PHI Equity Value per Share</b>	<b>\$8</b>
<b>Exelon Generation</b>	
Exelon Generation's Interest in 2020 EBITDA (\$mm)	\$2,589
Target EV/EBITDA multiple	7.00x
<b>Exelon Generation Enterprise Value (\$mm)</b>	<b>\$18,126</b>
Exelon Generation Enterprise Value Adjustments	(5,658)
<b>Exelon Generation Equity Value (\$mm)</b>	<b>\$12,468</b>
Current Diluted Share Count	968
<b>Exelon Generation Equity Value per Share</b>	<b>\$13</b>
<b>Holding Company</b>	
Exelon Holding Company 2020 EPS	(\$0.17)
Target P/E multiple	16.0x
<b>Exelon Holding Company Equity Value per Share</b>	<b>(\$3)</b>
<b>Total Value per Share</b>	<b>\$43</b>

Source: Goldman Sachs Global Investment Research

**Exhibit 75: ... which implies total return of (1%) vs Diversified Utilities average of 9%**

Diversified Utilities comparably analysis

Diversified Utilities Comparable Analysis													
			Close	12-Mo	Tot Ret	EPS			P/E			Dividend	Dividend
	Ticker	Rating	12/31/18	Px. Tgt	to Target	2018E	2019E	2020E	2018E	2019E	2020E	Yield	CAGR 2017A-20E
Diversified Utilities													
Avangrid, Inc.	AGR	Neutral	\$50.09	\$50	3%	\$2.24	\$2.30	\$2.65	22.4x	21.8x	18.9x	3.4%	5.3%
CenterPoint Energy	CNP	NR	\$28.23	--	--	\$1.63	\$1.71	\$1.80	17.3x	16.5x	15.6x	3.8%	5.2%
Dominion Energy	D	Neutral	\$71.46	\$71	4%	\$4.09	\$4.21	\$4.49	17.5x	17.0x	15.9x	4.7%	8.8%
Entergy	ETR	Buy	\$86.07	\$94	13%	\$7.13	\$6.11	\$5.91	12.1x	14.1x	14.6x	4.1%	3.4%
Exelon	EXC	Sell	\$45.10	\$43	(1%)	\$3.08	\$3.21	\$3.26	14.6x	14.1x	13.9x	3.2%	5.1%
NextEra Energy	NEE	Buy *	\$173.82	\$194	14%	\$7.58	\$8.60	\$9.12	22.9x	20.2x	19.1x	2.6%	13.0%
OGE Energy Corp	OGE	Neutral	\$39.19	\$40	5%	\$2.07	\$2.23	\$2.31	18.9x	17.6x	17.0x	3.4%	8.9%
Public Service Enterprise Group	PEG	Neutral	\$52.05	\$54	7%	\$3.08	\$3.35	\$3.49	16.9x	15.6x	14.9x	3.5%	4.9%
Sempra Energy	SRE	Buy *	\$108.19	\$132	25%	\$5.60	\$6.27	\$7.80	19.3x	17.2x	13.9x	3.3%	8.9%
Diversified Utilities Mean					9%				18.0x	17.1x	16.0x	3.5%	7.1%
Diversified Utilities Median					6%				17.5x	17.0x	15.6x	3.4%	5.3%

\*Denotes on Americas Conviction List

Source: Goldman Sachs Global Investment Research, FactSet

## Price target, methodology, drivers of change, and key risk

### Exhibit 76: Risks, price targets, methodologies, and drivers of change

Price Target Methodologies and Key Risks								
Ticker	Price Target Methodology	Rating	Price Target (New)	Price Target (Old)	Price 12/31/2018	Total Return (%)	Drivers of Changes	Key Risks Relate To
AGR	SOTP, 12month	Neutral	\$50	\$50	\$50.09	3%	Updated baseline multiple, updated estimates for 3Q18 detail	Regulation, cost management, demand
ETR	SOTP, 12month	Buy	\$94	\$90	\$86.07	13%	Updated baseline multiple, estimates for 3Q18 10Q detail	Regulation, demand, power pricing
EXC	SOTP, 12month	Sell	\$43	\$43	\$45.10	-1%	Valuation, lower utility earnings, revised power prices	Power prices, rate base growth, cost management, regulation
FE	SOTP, 12month	Buy	\$44	\$42	\$37.55	25%	Valuation, removing DMR from estimates	Regulation, demand, power pricing, financing, cost management
PEG	SOTP, 12month	Neutral	\$54	\$53	\$52.05	7%	Updated baseline multiple, rate case outcome	Regulation, demand, commodities,
OGE	85% fundamental SOTP, 15% M&A component, 12month	Neutral	\$40	\$38	\$39.19	5%	Updated baseline multiple	Regulation, demand
D	SOTP, 12month	Neutral	\$71	\$70	\$71.46	4%	Updated baseline multiple, revised EPS due to rate base growth	Regulation, demand, financing, commodity prices
NEE	SOTP, 12month	CL Buy	\$194	\$185	\$173.82	14%	Updated baseline multiple	Regulation, demand, tax credits, financing, cost management
SRE	SOTP, 12month	CL Buy	\$132	\$134	\$108.19	25%	Updated baseline multiple, weakening Mexican Peso	Regulation, currency, LNG, construction, project awards
AEP	SOTP, 12month	Buy	\$78	\$73	\$74.74	8%	Valuation	Regulation, demand, project opportunities
DUK	P/E based, 12month, 15.75x P/E multiple on 2020E EPS	Sell	\$80	\$73	\$86.30	-3%	Updated baseline multiple, revised EPS for DEP, DEC rate hikes	Regulation, demand, financing, cost management
ED	P/E based, 12month, 17.5x P/E multiple on 2020E EPS	Neutral	\$79	\$73	\$76.46	7%	Updated baseline multiple	Regulation, demand
EIX	P/E based, 12 month, 17.0x P/E multiple on discounted 2022 EPS	Buy	\$63	\$71	\$56.77	15%	Valuation, updated wildfire costs and financing	Regulation, financing, wildfire costs, capital allocation
ES	P/E based, 12month, 17.25x P/E multiple on 2020E EPS	Neutral	\$64	\$60	\$65.04	2%	Updated baseline multiple	Regulation, rate cases, cost management
EVRG	P/E based, 12month, 17x P/E multiple on 2020E EPS	Sell	\$56	\$53	\$56.77	2%	Updated baseline multiple	Regulation, demand, cost management
PCG	P/E based, 12 month, 15x P/E multiple on discounted 2022 EPS	Neutral	\$26	\$50	\$23.75	9%	Valuation, updated wildfire costs and financing	Regulation, financing, wildfire costs, capital allocation
PPL	SOTP, 12month	Neutral	\$29	\$30	\$28.33	8%	Updated baseline multiple	Regulation, demand, currency
WEC	P/E based, 12month, 18.75x P/E multiple on 2020E EPS	Neutral	\$71	\$65	\$69.26	6%	Updated baseline multiple, revised EPS on 10Q detail	Regulation, demand, cost management
AEE	P/E based, 12month, 19.15x P/E multiple on 2020E EPS	Neutral	\$68	\$65	\$65.23	7%	Updated baseline multiple, revised EPS on rate case and 10Q detail	Regulation, demand, construction
PNW	P/E based, 12month, 18.5x P/E multiple on 2020E EPS	Buy	\$91	\$89	\$85.20	10%	Updated baseline multiple	Regulation, demand
POR	P/E: 12month, 16.5x 85% weight, M&A P/E: 21.0x, 2020E EPS 15% weight	Sell	\$44	\$41	\$45.85	-1%	Updated baseline multiple	Regulation, demand
SO	P/E based, 12month, 14.5x P/E multiple on 2020E EPS	Sell	\$44	\$41	\$43.92	6%	Updated baseline multiple	Regulation, demand, construction, financing

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Source: Goldman Sachs Global Investment Research, FactSet

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## Disclosure Appendix

### Reg AC

We, Michael Lapides, Insoo Kim, CFA, Katherine Fogertey, David Fishman, CFA, Jack Pearl, Sarah Davis, Chitra Narayan Mahale and Arun Prakash, CFA, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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**Growth** is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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## GUGGENHEIM

Power, Utilities &amp; Alternative Energy

January 3, 2019

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## The Guggenheim Daily Transmission: NWN, OGE, NEE, SO, PNW, D, Santee Cooper, SCG, EXC, FE, NJR, PEG, ERCOT, SRE, PCG

**What's New?****NWN** – NW Natural files general rate case in Washington**OGE** – OGE files Oklahoma rate case requesting recovery of scrubbers and natural gas conversions, cost true-up and 40bp ROE increase to 9.9%**NEE/SO** – NextEra Completes acquisition of Gulf Power & Florida assets**PNW** – ACC inches closer to reviewing APS finances under new rate structures**D/Santee Cooper** – Santee Cooper files suit against SCE&G**D/SCG** – Dominion completes its acquisition of SCANA**EXC** – Chris Crane comments on TMI policy efforts in WSJ interview**EXC/FE/NJR/PSEG** – BPU releases straw proposal for SREC construct overhaul**ERCOT** – New report claims Texas grid could operate without coal generation**SRE** – Midstream asset sale announced at a valuation of \$332M cash**PCG** – Calpine sues over power plant damages

Ticker	Price	Rating
NWN	58.42	Sell
OGE	38.26	Buy
NEE	169.83	Buy
SO	43.72	Neutral
PNW	82.87	Neutral
D	71.18	Buy
SCG	47.78	Neutral
EXC	44.07	Buy
FE	36.72	Buy
NJR	44.50	Neutral
PEG	50.83	Buy
SRE	106.76	Buy
PCG	23.80	Neutral

**NWN – NW Natural files general rate case in Washington**

- NW Natural's ask features an ROE of 10.3% (vs. current 10.65%), supporting a rate base of \$187mm.
- The state currently accounts for ~10% of revenue and ~11% of customers.

**Guggenheim takeaway:** As expected following the completion of the Oregon rate case last Fall. As a reminder, mgmt. had indicated as recently as the 3Q18 call that they would be turning their focus to Washington. We currently model WA with ~1.5-2.0% of lag. This is NWN's first rate case in WA in almost 10 years. **NOTE: we are hosting Washington Commissioner at Guggenheim in a couple of weeks.**

**OGE – OGE files Oklahoma rate case requesting recovery of scrubbers and natural gas conversions, cost true-up and 40bp ROE increase to 9.9%**

- The application for a rate increase is primarily driven by the need to adjust rates for the \$500M+ environmental investments at Sooner and Muskogee plants, which account for \$55M of the revenue request.
- Other major pieces of the revenue increase include \$54M of depreciation adjustments (pass through), \$15M increase for a 40bp ROE increase, \$6M for 100% recovery of short-term incentives (vs. 50% currently authorized) and \$12M for tax and other items.
- The increases are offset by revenue reductions for cogeneration capacity and passthrough costs of ~\$77M.

**Guggenheim takeaway:** This rate case was previously announced through an "intent to file" with the OK commission. There will be debate with intervenors over the final rate increase numbers, but the "bid-ask" spread for investment recovery is generally straight forward (i.e.

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environmental upgrades that drive earnings) and we do not expect much contention there. The other item impacting earnings power is the 40bp ROE increase, which may receive some debate with intervenors and staff. Per OGE, the rate case seeks to bring returns closer to the peer group average, which OK has lagged in recent years and may warrant the consideration of externalities outside of the traditional formulaic models (i.e. CAPM). We will be expecting a schedule in the coming months for the proceeding.

**NEE/SO – NextEra completes acquisition of Gulf Power & Florida assets**

- NextEra [announced](#) it has completed its acquisition of Southern Company's Gulf Power and other Florida assets including the Stanton and Oleander gas plants.
- The deal is closing ahead of the original schedule that [aimed](#) for first half of 2019.

**Guggenheim takeaway:** We see ample opportunity to the upside here for NEE – more than the current accretion guide. As a reminder, Gulf Power's O&M is ~\$31/MWh, multiple times that of NEE's Florida Power and Light's \$17/MWh – as one example. We continue to believe NEE will implement the FP&L play book at Gulf. The runway to improve the efficiency at Gulf Power creates material headroom in the customer bill to invest more capital and not need to file a rate case for a few years and post this period, we see further upside potential with a Gulf Power GRC filing that will seek to true up the regulatory construct (i.e. ROE band, equity layer) closer to FP&L. **We recently hosted NEE mgmt., see our note [HERE](#).**

**PNW – ACC inches closer to reviewing APS finances under new rate structures**

- Commissioners Boyd Dunn and Bob Burns filed on [Monday](#) to review APS' finances since the 4-1 passage of its 2017 rate increase.
- Incoming Commissioner Sandra Kennedy has [reportedly](#) indicated she would support the effort.
- Reports have indicated that at least some of discontent over rates is tied to the multitude of customer rate options available (e.g. time of use).

**Guggenheim takeaway:** We had a chance to catch up with mgmt. on this topic, and note that they indicated this would be a constructive path for the Commission to conduct its due diligence on the matter and close this process. It is not a reopening of the rate case at this time, and mgmt. feels comfortable that they are not over-earning – per our model, we agree they are not over-earning. At this time, we are inclined to agree and we do not currently model APS over-earning. As a reminder, our conversations at EEI ([see our note \[HERE\]\(#\)](#)) indicated that the complainant (Champion) that initiated much of the backlash was on one of the more expensive rate structures available at the time. APS has subsequently made a point of customer education, but the situation is still somewhat simmering.

**D/Santee Cooper – Santee Cooper files suit against SCE&G**

- Santee Cooper [filed](#) a lawsuit against SCE&G claiming its partner in the VC Summer nuclear construction project committed fraud and misconduct.

**Guggenheim takeaway:** Noise. As a reminder, Santee Cooper made the decision to walk from construction before SCG and the loss of them as a partner was a key reason why SCG ultimately decided to abandon the project.

**D/SCG – Dominion completes its acquisition of SCANA**

- Dominion announced it has completed its acquisition of SCANA.

**Guggenheim takeaway:** Data point, fully expected. As a reminder we anticipate the SCANA acquisition to be ~3% accretive to D under modest assumptions. We see LT upside potential for D here with ample opportunity for renewables and incremental synergies. **For more see our note [HERE](#).**

**EXC – Chris Crane comments on TMI policy efforts in WSJ interview**

- In a large piece detailing the state of employment in the US nuclear sector, EXC CEO Chris Crane indicated that the company continues to pursue efforts to stave off the closure of TMI:

- “The fight is not over [at Three Mile Island]...We’re continuing to work on ways to keep that plant in the community that it serves.”

- Article available [HERE](#).

**Guggenheim takeaway:** For your awareness and should be no surprise for those following closely. We expect a lively debate in the PA legislature this winter/spring on efforts to stave off the closure of large, frequently rural, employers like TMI and FES’ Beaver Valley.

#### EXC/FE/NJR/PSEG – BPU releases straw proposal for SREC construct overhaul

- The BPU has [issued](#) a straw proposal regarding the ongoing efforts to close the SREC program once solar power reaches 5.1% of electricity sold in NJ.
- The “SREC Transition Principles” proposed by the BPU Staff for a new construct include the following:
  - Provide maximum benefit to ratepayers at the lowest cost;
  - Support the continued growth of the solar industry;
  - Ensure that prior investments retain value;
  - Meet the Governor’s commitment of 50 percent Class I Renewable Energy Certificates (“RECs”) by 2030 and 100 percent clean energy by 2050;
  - Provide insight and information to stakeholders through a transparent process for developing the Solar Transition and Successor Program;
  - Comply fully with the statute, including the implications of the cost cap; and
  - Provide disclosure and notification to developers that certain projects may not be guaranteed participation in the current SREC program.
- Straw proposal available [HERE](#).

**Guggenheim takeaway:** As expected - the overhaul of the SREC construct is required under the clean energy legislation the Murphy Administration passed last year. We don’t see anything unusual or inflammatory in the Staff ‘Principles’ at this time, but we continue to monitor.

#### ERCOT – New report claims Texas grid could operate without coal generation

- The report cites the dispersion of solar and wind resources across the state favorably positions the grid to utilize renewables with a minimal amount of storage – natural gas would still serve as a backstop.
- “There is nowhere else in the world better positioned to operate without coal than Texas is,” - Dan Cohan, Associate Professor of Civil and Environmental Engineering, Rice University
- Report available [HERE](#).

**Guggenheim takeaway:** Solar in ERCOT continues to be a bit of an unknown variable in our view, while the outlook for coal presented in this report is very much in line with our own thesis: it remains a resource on the decline. In the meantime we expect ERCOT to experience extremely tight reserve margins in the NT – could this prompt a CREZ 2.0 for generation?

#### SRE – Midstream asset sale announced at a valuation of \$332M cash

- SRE midstream asset sale was announced Jan 2, 2019 with ArcLight Capital buying both Bay Gas and Mississippi Hub assets for \$332M in cash.
- The US Midstream assets include in the sale of Mississippi Hub and a 90.9% ownership interest in Bay Gas Storage (the transaction also includes the remaining ~9% ownership). Bay Gas is a facility located near Mobile, AL, that provides underground storage with 20

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Bcf of operational storage capacity, and Mississippi Hub is an underground salt dome with 22 Bcf of operational storage capacity located near Jackson, Mississippi.

**Guggenheim takeaway:** *The midstream asset sale was announced as a potential outcome of the phase I business review for Sempra. The transaction is in line with our expectations and enables SRE to move on with the more pertinent aspects of the business review including the wind asset portfolio and SA utilities review.*

**PCG – Calpine sues over power plant damages**

- Calpine filed a damages claim against PCG over damages caused by 2013 wildfires alleging O&M negligence.
- The lawsuit would tentatively recover \$20M of damage.

**Guggenheim takeaway:** *This lawsuit is like salt in the wound for PCG, as much larger claims and inquiries are being brought forward against the company and its operations. Recent claims have been filed on behalf of individuals and insurers claiming negligence (amongst other charges) in the order of billions of dollars, with estimates rising. The Calpine (private equity owned) claims are adding to the woes PCG is facing in the aftermath of the deadly 2018 wildfire season.*

**NI – MA Governor inks law requiring more oversight for gas utilities**

- Massachusetts Governor Charlie Baker [signed](#) a bill into law that requires more oversight when planning any public utility engineering work or services.
- The bill requires that any utility engineering work be reviewed and approved by a certified professional engineer.

**Guggenheim takeaway:** *Data point. In line with the NTSB's recommendations in their safety report. NTSB previously highlighted that MA did not require a certified professional engineer to sign off on the work plans for NI's Columbus Gas of MA and this was one of a handful of safety setbacks before the September gas event. We continue to stay on the sidelines with NI but valuation is beginning to look interesting, in our view. **For more see our note [HERE](#).***

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## Guggenheim's Power &amp; Utility Comp Sheet

Price as of Close Wednesday, January 02, 2019

Price as of Close		Wednesday, January 02, 2019		Guggenheim										Consensus										
		Market Cap (\$bn)	Rating	Target Price	Current Price	Dividend ('19E)		Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
Regulated Electric Utilities <sup>(1)</sup>						Yield	Payout		'18E	'19E	'20E	'21E	'18E	'19E	'20E	'21E	'18E	'19E	'20E	'21E	'18E	'19E	'20E	'21E
AEP	American Electric Power	36.0	Buy	\$77	\$72.94	3.6%	63%	493	3.98	4.17	4.36	4.58	18.3	17.5	16.7	15.9	3.94	4.12	4.39	4.63	18.5	17.7	16.6	15.7
ALE	ALLETE	3.8	Neutral	\$71	\$73.48	3.3%	63%	51	3.39	3.79	3.98	4.20	21.7	19.4	18.5	17.5	3.38	3.63	3.92	4.10	21.8	20.2	18.7	17.9
AVA	Avista*	2.8	Neutral	\$53	\$42.80	3.6%	70%	66	2.05	2.23	2.34	2.40	20.9	19.2	18.3	17.8	2.07	2.19	2.34	2.40	20.7	19.5	18.3	17.8
CMS	CMS Energy	13.7	Neutral	\$48	\$48.31	3.2%	61%	283	2.35	2.52	2.70	2.90	20.6	19.2	17.9	16.7	2.34	2.50	2.68	2.86	20.7	19.3	18.0	16.9
CNP	CenterPoint	14.0	Neutral	\$29	\$28.00	4.2%	70%	501	1.58	1.67	1.77	1.85	17.7	16.8	15.8	15.1	1.58	1.69	1.81	1.90	17.7	16.6	15.5	14.7
DUK	Duke Energy	60.4	Buy	\$86	\$84.70	4.5%	76%	713	4.85	4.99	5.22	5.53	17.5	17.0	16.2	15.3	4.75	4.97	5.24	5.53	17.8	17.0	16.2	15.3
ED	Consolidated Edison	23.4	Neutral	\$76	\$75.14	3.9%	65%	311	4.31	4.54	4.65	4.70	17.4	16.6	16.2	16.0	4.29	4.33	4.54	4.72	17.5	17.4	16.5	15.9
EIX	Edison International*	18.5	Buy	\$63	\$56.75	4.4%	56%	326	4.00	4.53	4.93	5.21	14.2	12.5	11.5	10.9	4.14	4.52	4.80	4.94	13.7	12.6	11.8	11.5
ES	Eversource Energy	20.1	Buy	\$63	\$63.49	3.4%	62%	317	3.26	3.49	3.71	3.91	19.5	18.2	17.1	16.2	3.27	3.48	3.69	3.92	19.4	18.2	17.2	16.2
ETR	Entergy	15.2	Buy	\$94	\$84.00	4.5%	64%	181	7.10	5.95	5.67	5.80	11.8	14.1	14.8	14.5	7.00	6.06	5.77	5.70	12.0	13.9	14.6	14.7
EVRG	Evergy	14.7	Buy	\$60	\$55.88	3.5%	67%	263	2.63	2.91	3.28	3.41	21.2	19.2	17.0	16.4	2.56	2.95	3.29	3.43	18.8	18.9	17.0	16.3
FE	FirstEnergy	18.8	Buy	\$43	\$36.72	4.0%	62%	511	2.59	2.40	2.66	2.93	14.2	15.3	13.8	12.5	2.53	2.54	2.53	2.71	14.5	14.5	14.5	13.6
LNT	Alliant Energy	9.7	Neutral	\$37	\$41.15	3.4%	64%	236	2.19	2.19	2.31	2.45	18.8	18.8	17.8	16.8	2.16	2.25	2.39	2.51	19.0	18.3	17.2	16.4
OGE	OGE Energy	7.6	Buy	\$39	\$38.26	3.9%	69%	200	2.07	2.18	2.30	2.42	18.5	17.6	16.6	15.8	2.07	2.15	2.31	2.42	18.5	17.8	16.6	15.8
PCG	PG&E Corporation*	12.3	Neutral	NA	\$23.80	0.0%	0%	519	3.83	4.03	4.16	4.34	6.2	5.9	5.7	5.5	3.82	4.04	4.20	4.22	6.2	5.9	5.7	5.6
PNW	Pinnacle West	9.3	Neutral	\$80	\$82.87	3.6%	63%	112	4.49	4.75	4.99	5.24	18.5	17.4	16.6	15.8	4.48	4.84	5.02	5.24	18.5	17.1	16.5	15.8
POR	Portland General Electric	4.0	Neutral	\$42	\$44.55	3.4%	60%	89	2.32	2.51	2.64	2.77	19.2	17.7	16.9	16.1	2.34	2.45	2.56	2.71	19.0	18.2	17.4	16.4
PPL	PPL Corporation	20.2	Neutral	\$29	\$28.11	6.7%	79%	720	2.42	2.39	2.56	2.70	11.6	11.8	11.0	10.4	2.36	2.43	2.55	2.68	11.9	11.5	11.0	10.5
SCG	SCANA*	6.8	Neutral	\$51	\$47.78	1.0%	17%	143	2.76	2.87	3.03	3.19	17.3	16.6	15.8	15.0	2.55	2.31	2.85	2.82	18.7	20.7	16.8	17.0
SO	Southern Company	45.0	Neutral	\$47	\$43.72	5.6%	81%	1029	3.08	3.02	3.12	3.22	14.2	14.5	14.0	13.6	3.04	3.02	3.12	3.23	14.4	14.5	14.0	13.6
WEC	WEC Energy	21.3	Buy	\$69	\$67.58	3.5%	67%	316	3.32	3.50	3.73	3.98	20.4	19.3	18.1	17.0	3.33	3.51	3.74	3.96	20.3	19.3	18.1	17.0
*Average (Excl. EIX, PCG, PPL, SCG for P/E)						3.7%	61%						18.3	17.5	16.6	15.8					18.4	17.5	16.6	15.9
Regulated Gas Utilities <sup>(2)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Yield	Payout	Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
NI	NiSource	9.3	Neutral	\$28	\$25.07	3.2%	58%	372	1.31	1.37	1.43	1.52	19.1	18.3	17.5	16.5	1.28	1.34	1.43	1.54	19.6	18.7	17.5	16.3
NJR	New Jersey Resources	3.9	Neutral	\$49	\$44.50	2.7%	60%	89	2.74	2.01	2.10	2.26	16.2	22.1	21.2	19.7	2.74	2.01	2.14	2.31	16.2	22.1	20.8	19.3
NWN	NW Natural Gas	1.7	Sell	\$51	\$58.42	3.2%	77%	29	2.17	2.44	2.60	2.73	26.9	23.9	22.5	21.4	2.21	2.45	2.57	2.67	26.4	23.8	22.7	21.9
SR	Spire	3.7	Buy	\$77	\$72.41	3.3%	65%	51	3.70	3.72	3.93	4.15	19.6	19.5	18.4	17.4	3.72	3.70	3.87	4.02	19.5	19.6	18.7	18.0
VVC	Vectren*	6.0	Neutral	\$72	\$71.92	2.7%	64%	83	2.89	3.06	3.25	3.47	24.9	23.5	22.1	20.7	2.88	3.05	3.27	3.47	25.0	23.6	22.0	20.7
*Average (Excl. VVC)						3.4%	66%						20.5	21.0	19.9	18.8					20.4	21.1	19.9	18.9
Integrated Utilities <sup>(3)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Yield	Payout	Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
EXC	Exelon	42.6	Buy	\$51	\$44.07	3.3%	50%	967	3.09	2.87	3.07	3.20	14.3	15.4	14.4	13.8	3.12	3.15	3.18	3.14	14.1	14.0	13.9	14.0
PEG	PSEG	25.7	Buy	\$59	\$50.83	3.7%	58%	505	3.12	3.28	3.44	3.40	16.3	15.5	14.8	15.0	3.10	3.26	3.54	3.63	16.4	15.6	14.3	14.0
Average						3.5%	54%						15.3	15.4	14.6	14.4					15.3	14.8	14.1	14.0
Independent Power Producers (IPPs) <sup>(4)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Yield	Payout	Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
NRG	NRG Energy	11.0	Buy	\$51	\$38.11	0.3%	0%	290	2,388	1,886	1,870	1,981	7.7	9.4	9.1	8.3	1,770	2,004	1,842	1,878	9.3	8.1	8.5	-
VST	Vistra Energy	11.3	Buy	\$37	\$22.38	0.0%	0%	504	2,860	3,294	3,361	3,394	7.2	5.7	5.0	4.5	2,763	3,321	3,232	3,202	7.7	6.2	6.0	5.5
Average													7.4	7.5	7.1	6.4					8.5	7.2	7.2	NA
Multi-Industry Utilities <sup>(5)</sup>		Market (\$bn)	Rating	Target Price	Current Price	Yield	Payout	Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
D	Dominion	46.7	Buy	\$77	\$71.18	5.2%	87%	656	4.14	4.24	4.45	4.69	17.2	16.8	16.0	15.2	4.09	4.28	4.49	4.64	17.4	16.6	15.9	15.3
DTE	DTE Energy	19.6	Buy	\$119	\$107.89	3.5%	61%	182	6.35	6.24	6.63	7.00	17.0	17.3	16.3	15.4	6.31	6.23	6.56	6.98	17.1	17.3	16.4	15.4
NEE	NexEra	81.2	Buy	\$197	\$169.83	3.0%	60%	478	7.81	8.42	9.05	9.75	21.7	20.2	18.8	17.4	7.75	8.38	9.00	9.78	21.9	20.3	18.9	17.4
SRE	Sempra Energy	29.2	Buy	\$127	\$106.76	3.7%	64%	274	5.48	6.10	7.18	7.54	19.5	17.5	14.9	14.2	5.46	6.08	7.23	7.58	19.6	17.6	14.8	14.1
Average						3.8%	68%						18.9	17.9	16.5	15.5					19.0	17.9	16.5	15.6
Other		Market (\$bn)	Rating	Target Price	Current Price	Yield	Payout	Diluted Shares	Earnings Per Share				Price / Earnings				Earnings Per Share				Price / Earnings			
AWK	American Water Works	16.0	Neutral	\$83	\$88.77	2.2%	55%	181	3.31	3.52	3.81	4.10	26.8	25.2	23.3	21.7	3.30	3.57	3.87	4.19	26.9	24.9	23.0	21.2
		Market (\$bn)	Rating	Target Price	Current Price	Yield	Payout	Diluted Shares	Adjusted EBITDA				EV / EBITDA				Adjusted EBITDA				EV / EBITDA			
CWEN	Clearway Energy	3.7	Buy	\$22	\$17.20	8.0%	NA	183	1,014	1,069	1,182	1,203	9.0	8.5	7.7	7.6	998	1,095	1,152	-	8.9	8.6	8.1	-
NEP	NexEra Energy Partners	2.4	Buy	\$50	\$42.00	4.9%	NA	56	1,028	1,143	1,331	1,581	10.3	10.1	9.3	8.8	922	1,119	1,265	1,471	11.5	10.3	9.8	9.4

Note: We are currently restricted on SII due to the firm's investment banking activities

(1) Regulated utilities deliver power to end-use customers via regulated transmission &amp; distribution (T&amp;D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&amp;D franchises, as well as unregulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., unregulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e., midstream, renewable development, energy trading, etc.).

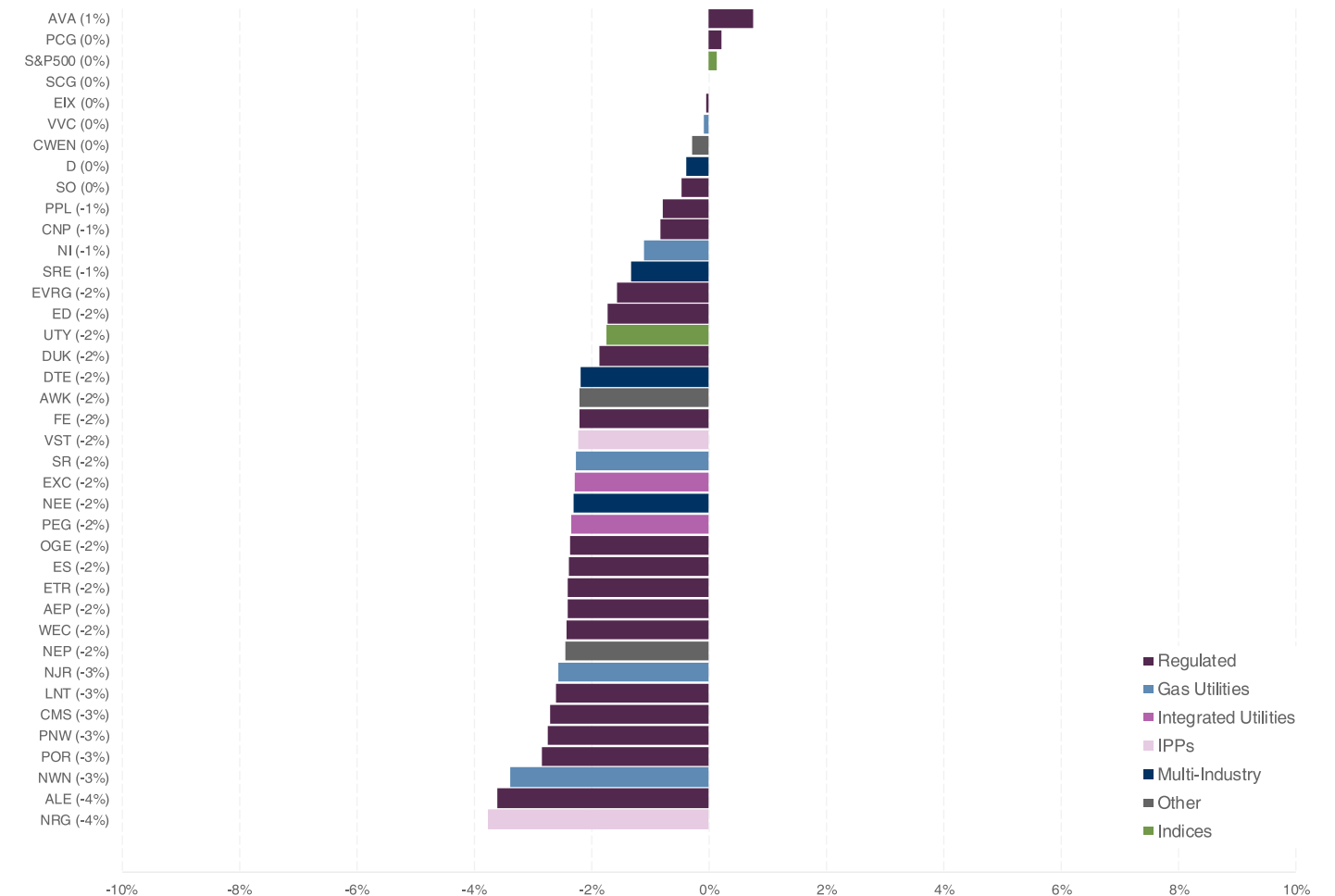
Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Share Price Performance (Year-to-Date)

## Year-to-Date Share Price Performance



**Note: We are currently restricted on SJI due to the firm's investment banking activities**

(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

(5) Multi-Industry Utilities operate some combination of regulated electric and/or gas utilities, in addition to substantial non-power unregulated activities (i.e. midstream, renewable development, energy trading, etc.).

Source: Bloomberg, Guggenheim Securities, LLC estimates.

## POWER, UTILITIES &amp; ALTERNATIVE ENERGY

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## Guggenheim 2019 Non Deal Roadshow Schedule

Ticker	Dates	Regions	Ticker	Dates	Regions
Commissioner Roundtable	1/23	NYC			
FE	1/22-1/23	Boston/NYC			
D	2/25-2/26	Boston/NYC			
WEC	2/27-2/28	West Coast			
PNW	3/11-3/13	Midwest			
DTE	3/25-3/26	Boston/NYC			
ALE	4/2-4/4	TBD			
PEG	6/24-6/25	Midwest			

**MORE TO BE ADDED...**

## Guggenheim-Hosted Commissioner Roundtable





### Guggenheim Policy Series

Equity Research | Corporate Access

## SAVE THE DATE: Guggenheim Hosted Commissioner Roundtable Event

**Date & Time**  
Wednesday, January 23, 2019  
10:00am – 11:30am ET

**Location**  
Guggenheim Securities  
330 Madison Ave.  
32nd Floor  
New York, NY 10017

**Commissioner Participants**  
*\*Below Commissioners are confirmed, more will be added over the next two weeks*  
**Jay Balasbas**, Commissioner, Washington Utilities and Transportation Commission  
**Tricia Pridemore**, Commissioner, Georgia Public Service Commission

**Hosting Analyst**  
**Shar Pourreza**, Managing Director – Power, Utilities & Alternative Energy

## Key Research

### Guggenheim's Forward Commodity Curves

- [Forward Commodity Curves for Power & Utility Modeling](#)

### Key Industry Research

1. [California Wildfire Wrap – You Can Check Out, but You Can Never Leave](#)
2. [Guggenheim's 2018 EEI Summary](#)
3. [Guggenheim EEI Takeaways - Day 3](#)
4. [Guggenheim EEI Takeaways - Day 2](#)
5. [Guggenheim EEI Takeaways - Day 1](#)
6. [Guggenheim EEI - Investor Question Bank](#)
7. [PJM: No Country for Common Ground; Reply Briefs Land at FERC](#)
8. [PJM: You May Ask Yourself, Well How Did I Get Here? Back to the Commission for the Main Show](#)
9. [Coal/Nuclear: Will Politics "Trump" Reality](#)
10. [CA Policy Crash Course: Don't Hold Your Breath For a Wildfire Resolution....](#)
11. [February Meter Reading - Yield "Almost" Catching Up with Utility Valuations; Lowering Our PTs and Looking Beyond Bond Surrogates](#)
12. [PJM Capacity Auction: Introducing Prelim-2021/22 Pricing Forecasts – Well...It's Not Getting Much Worse, Projected Pricing Mixed](#)
13. [Guggenheim-Hosted Power Brunch with State Utility Commissioners](#)
14. [Checking for a "Pulse" - Regulated Utility Valuations Losing Altitude, Now Fairly Valued vs. Bond Yields, and Showing Subsector Variance](#)
15. [2018 Outlook: An Absolute Shop Thinking in Relative Terms](#)
16. [Yo, Adrian! DOE Gets Knocked Down, But Power Market Reform Not Out – One More Round](#)
17. [Guggenheim EEI Takeaways - Day 1](#)
18. [Guggenheim EEI Takeaways - Day 2](#)
19. [Guggenheim EEI Takeaways - Day 3](#)
20. [Utility and IPP 3Q17 Model Sweep](#)
21. [DOE Texas Tango – Will FERC Dance?](#)
22. [2Q17 PREVIEW: Benign Earnings Season, but No Shortage of Topics or NT Catalysts to Watch](#)
23. [AGA Conference Highlights and Management Meeting Takeaways](#)
24. [2017 Outlook: Riding the Cyclical Wave As It Crashes Through Regulated Utilities](#)
25. [Launching Coverage and Getting Gassier – Catalyst-Rich but Not a Sector Call](#)
26. [Boom-Bust: Forget Mid Cycle – Focus on Asset Lives and Cash Flows....Launching on IPPs with Cautious Tone but See Opportunities](#)
27. [Power Breakfast: Guggenheim-Hosted Commissioner Meetings](#)
28. [Power Breakfast Part Deux: Guggenheim-Hosted Commissioner Meetings](#)

### Key Company Research

1. [POR: Bringing Portland to the Heartland: Capex, Policy, and RFPs Dominate Our NDR](#)
2. [D/SCG: Global Settlement Reached; Upgrading SCG to BUY On Improved Merger Outlook](#)
3. [SRE: Another Day, Another Dollar: Buying Low; Selling High](#)
4. [NRG: The Texas Two Step - Front Seat for a Sizable Buyback Show? Past the Debut; We're Now Here for the Climax](#)
5. [NEE – Mgmt. Roadshow: Rising Interest Rates? No Problem. Raising Valuation? Why Not...](#)
6. [Michigan Bus Tour: Motoring from Jackson to Detroit in Style](#)
7. [PCG – Mgmt. Meeting - Long Road Home to Re-Establishing Confidence in Regulatory Construct But Path So Much Clearer](#)
8. [NYLD Mgmt. Call – Conservative Growth Guidance, Managing Expectations; Should Over-Deliver - Visibility Will Be Key](#)
9. ["Summer Nights" Means New Summer Flings – Tell Me About It; Upgrading, Downgrading and Making an M&A Call](#)
10. [PCG – Stress Testing the New Wildfire Law for Maximum Liabilities Can Still Be Stressful for Investors](#)
11. [PCG – Upgrading to NEUTRAL on Balanced Risk/ Reward: Final Proposal Gives More Comfort Despite Key Softening of Language](#)
12. [SR Mgmt. Roadshow – Pathway for LT Growth Now More Visible; M&A? No Longer in Acquisition Mode](#)
13. [DUK Mgmt. Roadshow – Growth Concerns? Nothing to See Here, But Some Value Left on the Sidelines](#)
14. [CMS Mgmt. Roadshow – Consistent Showing: Another Day, Another Dollar; A Key Name We Are Watching](#)
15. [SRE – Follow-up Mgmt. Meeting - Crystal Clear Upside and "Active" Optimization Plan...Eventually: the Re-rating Will Come](#)
16. [SRE – Analyst Day - It's the Simple Things in Life: One Way or Another, Actively Seeing a Re-Rating Story](#)
17. [PEG - Mgmt. NDR: Jersey Strong through the Midwest](#)
18. [D/SCG – Testing Dominion's Patience? May Stick This Out...For Now... but Policy-Makers Playing a Dangerous Game](#)
19. [LNT - Mgmt. Roadshow: In Messy Times Everyone Appreciates a "Clean Story"....](#)
20. [ETR – No Introduction Needed: Analyst Day Highlights Above Avg., Undervalued, Regulated Growth Story w/ Upside](#)
21. [SRE – "Active" Analyst Day Preview: Keys to Unlocking Value Within Reach?](#)
22. [OGE/AEP – Okie Dokie in Oklahoma? Depends Which Way the Wind Blows](#)
23. [EVRG – Click, Click, There's No Place Like Home: Top-tier Growth w/ Buybacks & Solid Risk-Adjusted Upside vs Peers](#)
24. [VST - Inline Analyst Day Comes with Buybacks, NT Deleveraging - Remains a Step Function, Catalyst Driven Story](#)

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25. [NJR – Management Roadshow: Growth Concerns? Nothing to See Here; M&A? Hmm...](#)
26. [PCG–"Once an Accident, Twice a Coincidence, 3 Times a Habit" Does Inverse Even Matter? Blamed Yet Again by Cal Fire](#)
27. [PEG Analyst Day: Solid Analyst Day Left No Surprises – Steady As She Goes with Upside Generally Within Expectations](#)
28. [PCG – 1 Step Forward, 2 Steps Back; Legislation Moves Along as Cal Fire Begins the Blame Game on PG&E – Precursor for More Damaging Results to Come?](#)
29. [NEE / SO: Great Minds Think Alike – This Deal Makes a Lot of Sense For Everyone, with Room for More](#)
30. [FE – "Can't Always Get What You Want, Get What You Need": Above Avg. Growth, Deep Discount Generating Vast Interest](#)
31. [D – Southern Charming on Madison Avenue...Any Bargain Shoppers?](#)
32. [ALE Management Roadshow – Solid Growth; Pieces Are Fitting Together – No...Not a Willing Seller](#)
33. [PEG - Jersey Strong - Quick Takeaways from Meetings with NJ Regulators and PEG Sr. Mgmt.](#)
34. [CNP/VVC – Paying the Price Above the "Premium" Watermark We Expected But w/Marginal Accretion and Large Equity Slug](#)
35. [PNW NDR – Grid Mod., Tech & the Utility 2.0; Awaiting Visibility into AZ Renewable Proposals for Inflection Point](#)
36. [VST: Introducing Estimates for the Combined Company: A "Prospective" View Bookended by Dividends; Raising PT to \\$37](#)
37. [ETR Mgmt. Roadshow – This Story Is Coming Together Fast; Don't Blink or You Might Miss the Make-Over](#)
38. [WEC NDR – The "Milwaukee Buck" Stops Here on M&A; Incremental Upside and Organic Profile Keeps Ball in WI's Court](#)
39. [NRG – Surprisingly Un-Surprising Analyst Day Tells a Stable Retail Story; but Still the Same Old Dividend](#)
40. [DTE NDR: Motor City's Best Spring Training in NY, Focused on Core Fundamentals; Midstream Could Be a "Home Run"](#)
41. [CMS Mgmt. Roadshow-ROEs Going Down or Staying "Yooper" \(UP\) in Michigan? We May be at an Inflection Point](#)
42. [SRE– "You Mess w/ the Bull, You Get the Horns"; You Mess w/ Texas You Get Oncor, 3% Accretion, and Upside Potential](#)
43. [VVC Mgmt. Roadshow - Remains Guarded Around M&A, Although Left a "Premium" Watermark with Their Standalone Plan](#)
44. [EIX – Quick Take: Upgrading to BUY on Comfort w/ Dividend, Valuation; Limited Downside, Upside as Investors Step In](#)
45. [AEP – Upgrading to NEUTRAL on Balancing Risks – Wind Catcher a Nice Have but Now Pure Upside](#)

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